

SOUTHERN ENERGY CORPORATION
 FERTILIZER AND GAS PROMOTION UNIT,
 SAGUERA COUNTY, NEW MEXICO DE NOVO
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Case No.

6965

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
19 January 1981

COMMISSION HEARING

IN THE MATTER OF:

Application of Supron Energy Corpor-
ation for a non-standard gas pro-
ration unit, Rio Arriba County, New
Mexico.

CASE
6965

and

Application of John E. Schalk for a
non-standard gas proration unit and
an unorthodox gas well location,
Rio Arriba County, New Mexico.

CASE
6896

and

Application of John E. Schalk for
compulsory pooling, Rio Arriba
County, New Mexico.

CASE
6996

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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For Beartooth Oil and Gas:

Sumner Buell, Esq.
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2 MR. RAMEY: We'll call next Case Number
3 6965.

4 MR. PADILLA: Application of Supron
5 Energy Corporation for a non-standard gas proration unit, Rio
6 Arriba County, New Mexico.

7 MR. CARR: May it please the Commission,
8 my name is William F. Carr, with the law firm of Campbell,
9 Byrd, and Black, Santa Fe, appearing on behalf of Supron.

10 At this time I would request that the --
11 this case be consolidated with the two cases following it on
12 the docket, inasmuch as the same acreage is involved and the
13 same questions will be relevant to the Commission.

14 MR. RAMEY: Okay, without objection, we
15 will consolidate Case 6965 with 69 -- or 6896 and 6996, and
16 call Case 6896 at this time.

17 MR. PADILLA: Application of John E.
18 Schalk for a non-standard gas proration unit and an unorthodox
19 gas well location, Rio Arriba County, New Mexico.

20 MR. RAMEY: Also call Case 6996.

21 MR. PADILLA: Application of John E.
22 Schalk for compulsory pooling, Rio Arriba County, New Mexico.

23 MR. KELLAHIN: I'm Tom Kellahin of Santa
24 Fe, New Mexico, appearing on behalf of John E. Schalk.

25 MR. RAMEY: Any witnesses, Mr. Kellahin?

1 MR. KELLAHIN: Yes, sir, I do.

2 MR. RAMEY: How many?

3 MR. KELLAHIN: I've got at least one.

4 MR. RAMEY: Mr. Carr?

5 MR. CARR: I have two witnesses.

6 MR. BUELL: Mr. Ramey, I'm appearing in
7 Case 6965 and 6996, on behalf of Beartooth Oil and Gas Company.
8 We will have two witnesses.

9 MR. RAMEY: Thank you.

10 I'll ask that all witnesses stand and be sworn at this time.

11 (Witnesses sworn.)

12 MR. KELLAHIN: Mr. Commissioners, I'd
13 move to dismiss the application for de novo hearing of Bear-
14 tooth Oil and Gas Company. I think the rules and regulations
15 of the Commission require that in order to file an application
16 for a de novo hearing, that you need to be a party of record
17 at the Examiner hearing. That is not the case in this situ-
18 ation. We believe that Beartooth Oil and Gas Company is not
19 a proper party in which to file an application for a de novo
20 hearing, and therefor we would move that the application be
21 so dismissed.

22 MR. BUELL: May I respond, Mr. Ramey?

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MR. RAMEY: Yes, you may.

MR. BUELL: Mr. Ramey, I believe the applications recite that Beartooth Oil and Gas Company is a successor of Mr. Curtis J. Little, who was a party of record and did participate in the previous Examiner hearing, and I believe those specifications are in there, in the application, and we will bring out as part of our testimony, when our interest was acquired, and I'll say the interest will be identical.

MR. RAMEY: Mr. Kellahin, we'll take your motion under advisement and rule on it later, after we hear the testimony.

Mr. Carr, you may proceed.

MR. CARR: Thank you. I'd call Mr. Bjerke.

GUDBRAND BJERKE

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 name for the record, please?

1
2 A My name is Gudbrand Bjerke. I live in
3 Dallas and I'm with Supron Energy Corporation as a landman.

4 MR. RAMEY: Would you spell your name,
5 please, sir?

6 A G-U-D-B-R-A-N-D B-J-E-R-K-E.

7 Q Mr. Bjerke, have you previously testified
8 before this Commission, had your credentials as a landman
9 accepted and made a matter of record?

10 A Yes, sir.

11 Q Are you familiar with the application of
12 Supron in this case and the subject area?

13 A Yes, sir.

14 MR. CARR: Are the witness' qualifica-
15 tions acceptable?

16 MR. RAMEY: Yes, they are.

17 Q Mr. Bjerke, will you briefly state what
18 Supron is seeking with this application?

19 A They're -- Supron is seeking to get an
20 unorthodox spacing in the southeast quarter of Section 8, 25
21 North, 3 West, Rio Arriba County, New Mexico.

22 Q Does this acreage immediately offset to
23 the south the acreage which is involved in the Schalk appli-
24 cation?

25 A Yes, sir.

1
2 Q Would you state for the Commission exactly
3 what acreage Supron controls in the southeast quarter of Sec-
4 tion 8?

5 A In the southeast of 8 Supron controls
6 160 acres, all formations.

7 Q So Supron has 100 percent of all --

8 A 100 percent.

9 Q And is this a Federal lease?

10 A It is a Federal lease.

11 Q Will you please summarize for the Com-
12 mission Supron's efforts to develop their interest in this
13 quarter section?

14 A In October or prior to October of 1979
15 Supron sent a letter to Gulf Oil Corporation and one Mr.
16 Jack L. Cayias trying to put together 320 acres, that's the
17 east half of Section 8, for a Mesaverde test.

18 Gulf did respond on November the 27th
19 that they were not interested in -- at this time to partici-
20 pate.

21 Jack Cayias, I could never get a response
22 in writing from him, but I called and contacted him on the
23 phone later on, and he said he would not be interested in
24 joining in the 320-acre test because he wanted \$3.00 an Mcf
25 for his gas, and of course, Supron's 160-acres were dedicated

1
2 to the Southern Union Gas Company of New Mexico at a much
3 lower price.

4 So that ended up in an application for
5 a forced pooling.

6 Q Now, Mr. Bjerke, are the -- does Exhibit
7 One, Supron's Exhibit One, contain the letters that you wrote
8 to Gulf and also responses from Gulf --

9 A That is right.

10 Q -- concerning this proposal?

11 All right. Will you continue now and
12 review for the Commission Supron's efforts to develop this
13 acreage?

14 A We filed for a forced pooling on May the
15 7th, 19 -- the hearing was May 7th, 1980, but we had a title
16 opinion rendered from the southeast of Section 8 and the
17 northeast of Section 8, prior to that time and found that the
18 people that we had contacted and advised about forced pooling
19 was not the correct parties.

20 So we did the -- did the hearing, or dis-
21 missed, and later on re-filed it for a hearing, and that same
22 time we also included for both the Mesaverde and the Dakota
23 but this time on 160-acre spacing, the southeast quarter
24 where we controlled.

25 Q And when did you learn of Mr. Schalk's

1
2 interest in this acreage?

3 A Just prior to the hearing.

4 Q Which hearing was that, the May 7 hearing?

5 A The May 7 hearing.

6 Q Have you had any contacts with Mr.
7 Schalk?

8 A Only as far as I sent him a copy of our
9 title opinion.

10 Q And did each of you agree to develop
11 your quarter section separately if the Oil Conservation Divi-
12 sion would approve?

13 A Yes, sir.

14 Q Would you identify what has been marked
15 for identification as Supron Exhibit Number Two?

16 A Exhibit Number Two is the title opinion
17 on the southeast quarter of Section 8.

18 Q And Exhibit Number Three?

19 A And Exhibit Number Three is the title
20 opinion, dated April the 10th, the northeast of Section 8.

21 MR. RAMEY: Do you have any copies of
22 these exhibits?

23 MR. CARR: Yes, sir, they are right in
24 front of you, Mr. Chairman.

25 MR. RAMEY: Are these the ones?

1
2 MR. CARR: Yes, sir.

3 Q Mr. Bjerke, does Supron have immediate
4 plans to develop the southeast quarter of Section 8?

5 A Yes, sir, as soon as we get the Commis-
6 sion's blessing, we will develop the southeast of Section 8.

7 Q Were Exhibits One, Two, and Three either
8 prepared by you or can you testify as to their accuracy?

9 A They were prepared by me and they are
10 accurate.

11 MR. CARR: I have nothing further of Mr.
12 Bjerke on direct.

13 MR. RAMEY: Any questions of the witness?
14 Did you want to offer --

15 MR. CARR: I'd like to offer Exhibits
16 One, Two, and Three.

17 MR. RAMEY: Exhibits One through Three
18 will be admitted.

19 Any questions? The witness may be ex-
20 cused.

21 MR. CARR: At this time I would call
22 Mr. Lee.

23
24 JERRY LEE

25 being called as a witness and being duly sworn upon his oath.

1 testified as follows, to-wit:
2

3
4 DIRECT EXAMINATION

5 BY MR. CARR:

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

8 A Jerry Lee. I reside in Dallas, Texas.
9 I'm employed by Supron Energy Corporation as a drilling and
10 production engineer.

11 Q Mr. Lee, have you previously testified
12 before this Commission, had your credentials as an engineer
13 accepted and made a matter of record?

14 A Yes, I have.

15 Q Are you familiar with Supron's applica-
16 tion in this case and the subject area?

17 A I am.

18 Q Are the witness' qualifications ac-
19 ceptable?

20 MR. RAMEY: They're acceptable.

21 Q Mr. Lee, will you please refer to what
22 has been marked for identification as Supron Exhibit Number
23 Four, and explain to the Commission what it is and what it
24 shows?

25 A Supron Exhibit Four is a plat showing

1
2 the location of various wells offsetting the acreage in ques-
3 tion in Supron's application, that being the southeast quarter
4 of Section 8, Township 25 North, Range 3 West, Rio Arriba
5 County.

6 The plat in particular shows the producing
7 Mesaverde wells which offset the area in question, and also
8 the producing Dakota wells.

9 The Mesaverde wells being those with
10 red dots; the Dakota wells being the gold dots.

11 Also shown on the plat in red are the
12 upper number, being the cumulative production through Septem-
13 ber, 1980 for the gas wells and the lower number, being the
14 average Mcf per day in September, 1980, for these offset
15 Mesaverde wells.

16 In green, for the Dakota wells, is the
17 cumulative oil production through September, '80, with the
18 lower number being the average rate in September, 1980.

19 On the Skelly Roberts No. 4 Well in the
20 southwest quarter of Section 17 there is a question as to
21 whether or not that is the correct cumulative for the well,
22 as there are two entries in the committee reports, one being
23 for the Ojitos Dakota, and the other being for the Ojitos
24 Dakota-Gallup Pools.

25 It's approximately 55,000 barrels for

1
2 the Skelly Roberts 4 and the Ojitos Dakota Pool and then
3 15,600 barrels cumulative for the Ojitos Dakota-Gallup Pool,
4 the Roberts 4.

5 Q What is the standard spacing for both
6 the Mesaverde and Dakota formations in this area?

7 A The standard spacing unit is 320-acre
8 spacing.

9 Q Has infill drilling been approved for
10 both of these formations?

11 A For both the Blanco-Mesaverde and the
12 Basin Dakota Pools infill drilling has been approved.

13 Q And are you familiar with the infill
14 orders for each of these pools?

15 A I am familiar with them, yes.

16 Q Will you briefly summarize what these
17 orders provide?

18 A These orders provide basically that two
19 120-acre units were insufficient to adequately and efficiently
20 drain these reservoirs, and therefor authorized a second
21 well on each 320-acre unit for both the Blanco Mesaverde and
22 the Basin Dakota Pools.

23 MR. CARR: May it please the Commission,
24 these were Oil Conservation Division orders R-1670B and T,
25 and we would request that you take administrative notice of

1
2 those two orders.

3 MR. RAMEY: B and T?

4 MR. CARR: I believe so. I'm certain
5 it's T. I believe it's also B for the Mesaverde.

6 MR. RAMEY: I think it's T for the Mesa-
7 verde and --

8 MR. CARR: And B for the Dakota.

9 MR. RAMEY: -- B for the Dakota.

10 MR. CARR: That's right. You're right.
11 We would request that you do take administrative note of the
12 infill orders for these two formations.

13 Q Mr. Lee, are there operators in the
14 area who are developing these formations under a 160-acre
15 spacing pattern?

16 A Yes. Immediately offsetting this acreage
17 in the west half of Section 8, John Schalk has drilled two
18 wells on a 320-acre unit, being the west half of Section 8.

19 In the north half of Section 4 there's
20 a 320-acre unit, which has been developed by Petro Lewis with
21 two wells on the 320-acre unit.

22 Q If you drill a well as proposed and you
23 are successful in completing it in both the Dakota and the
24 Mesaverde, would the production from that well be prorated
25 in both of those formations?

1
2 A Yes, it would.

3 Q And how would the non-standard proration
4 unit which we are proposing affect the allowable for each of
5 those zones?

6 A The non-standard proration unit, being
7 a small proration unit, would result in a restriction of the
8 allowable to the well.

9 Q Does Supron plan to drill this well at
10 a standard location?

11 A Yes, we do.

12 Q Has this location been staked?

13 A It has been staked now. It had not been
14 at the last hearing.

15 It has been staked at a location 800 feet
16 from the south line and 865 feet from the east line of Section
17 8.

18 Q If you are permitted to drill and complete
19 this well on the proposed non-standard proration unit, do
20 you believe it will drain reserves from adjoining properties
21 in either the Dakota or the Mesaverde?

22 A It would not, in my opinion. I would
23 have to assume that given sufficient time, if no one developed
24 their own properties offsetting it, it might, given sufficient
25 time, but under the infill orders it's obvious it's been agreed

1
2 amongst the operators that the -- one well will only adequately
3 and efficiently drain 160 acres.

4 Q And that would be within some reasonable
5 time frame.

6 A That's within some reasonable time frame.

7 Q Is it your opinion that granting the
8 application would impair the correlative rights of any other
9 operator in the area?

10 A No, not in my opinion.

11 Q And would you just briefly again summarize
12 your reasons for reaching that conclusion?

13 A I would assume that should we be granted
14 the 160-acre spacing and drilled a successful well in the
15 Mesaverde and Dakota formations, that any offset operators
16 would in some reasonable period of time develop their own
17 property and therefor would not in any way be impaired or
18 have any loss to their own properties.

19 Q If in fact you drill a well that isn't
20 a commercial success, is it safe to assume that you would not
21 be impairing the correlative rights of the offset operators?

22 A That is correct.

23 Q Do you believe that granting this appli-
24 cation would be in the best interest of conservation and the
25 prevention of waste?

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2

A Yes, I do.

3

4

Q Was Exhibit Number Four prepared by you or under your direction and supervision?

5

A It was.

6

7

MR. CARR: At this time we would offer into evidence Supron Exhibit Number Four.

8

9

MR. RAMEY: Supron Exhibit Four will be admitted.

10

11

MR. CARR: I have nothing further of this witness on direct.

12

13

MR. RAMEY: Any questions of this witness?

14

15

MR. KELLAHIN: I have.

16

17

MR. RAMEY: Mr. Kellahin.

18

CROSS EXAMINATION
BY MR. KELLAHIN:

19

20

21

22

Q Mr. Lee, the proposed Supron location in the southeast quarter of Section 8, I assume you've evaluated the potential of the economic well in both the Mesaverde and the Dakota formations?

23

24

A That is correct, or we are in the process of evaluation.

25

Q

The application of Supron requests a

1
2 non-standard proration unit for both the Dakota and Mesaverde
3 pools, does it not?

4 A It does.

5 Q Is it your intention to develop both of
6 those formations in a single completion?

7 A If we in fact develop both formations,
8 it would in all probability be in a single completion. At
9 the present time there is a well in which we have a joint
10 interest in the west half of Section 7, southwest quarter of
11 Section 7, immediately offsetting this, which we have a 50
12 percent interest in. Southland Royalty is the operator, and
13 we're awaiting the completion information on this well to
14 make a determination of the feasibility of completing in the
15 Dakota formation.

16 Q Based upon your current knowledge, Mr.
17 Lee, how would you characterize the prospects of a Dakota
18 completion?

19 A It would be marginally economic at best
20 in a single completion; in all probability uneconomic in a
21 dual completion.

22 Q The Dakota locations here in Sections
23 17 and 18, those are Dakota oil wells, aren't they?

24 A That is correct.

25 Q They're on 40-acre spacing, aren't they?

1
2 A I would -- I think in this case it's
3 the Ojitos Gallup-Dakota Pool and it is not a -- does not
4 have any spacing other than the statewide, and that would be
5 40-acre spacing.

6 In fact, our Dakota application in all
7 probability would be a 40-acre application.

8 I would anticipate any production here
9 being an oil well.

10 Q Did you tell me that this proposed loca-
11 tion for development of the Mesaverde and Dakota is too great
12 a risk for a dual completion?

13 A I don't think I --

14 Q You said something about a dual completion.
15 You said this would be uneconomic as a dual completion?

16 A I said as a single completion the Dakota
17 would be uneconomic, and marginally economic at best as a
18 dual, the Dakota portion of it.

19 Q All right. The principal objective of
20 the two formations -- the two pools then, would be the Mesa-
21 verde formation?

22 A That is correct.

23 MR. KELLAHIN: I have nothing further.

24 MR. RAMEY: Any other questions of the

25 witness?

1
2 MR. BUELL: No questions.

3
4 CROSS EXAMINATION

5 BY MR. RAMEY:

6 Q And this would not be a Basin Dakota gas
7 pool extension?

8 A The current limits of the Ojitos Gallup-
9 Dakota Pool, as best I've been able to determine, is the west
10 half of Section 17, the southeast quarter of Section 18, and
11 the northeast quarter of Section 19; therefor, I'm not sure
12 whether or not we would be required to put that into the
13 Ojitos Gallup-Dakota Pool. We're within a mile of an existing
14 pool and that may require us to put it in the Ojitos Gallup-
15 Dakota.

16 MR. RAMEY: Thank you. Any other ques-
17 tions? You may be excused, Mr. Lee.

18 MR. CARR: That concludes the direct
19 presentation of Supron.

20 MR. RAMEY: Do you have a witness, Mr.
21 Kellahin?

22 MR. KELLAHIN: Yep.

23
24 A. R. KENDRICK
25 being called as a witness and being duly sworn upon his oath.

1
2 testified as follows, to-wit:

3
4 DIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q Mr. Kendrick, for purposes of the record
7 would you please state your name and occupation?

8 A A. R. Kendrick, consulting petroleum
9 engineer,

10 Q Have you previously testified before the
11 Commission as a petroleum engineer, Mr. Kendrick?

12 A Yes, sir.

13 Q And what has been your history of em-
14 ployment?

15 A I was employed by this Commission for
16 24-1/2 years as a petroleum engineer in the northwest part of
17 New Mexico, and since that time I've been consulting.

18 Q You were the district supervisor for the
19 Commission subdivision in Aztec, were you?

20 A For about three years.

21 Q And did that responsibility include the
22 area in question in these applications?

23 A Yes.

24 Q As a part of your -- are you a consultant
25 to the applicant in this case?

1

2

A. Yes.

3

4

5

Q. And as part of that employment, Mr. Kendrick, have you made a study of the facts surrounding these two applications by Mr. Schalk?

6

7

8

A. Yes, sir.

9

10

MR. KELLAHIN: We tender Mr. Kendrick as an expert petroleum engineer.

11

12

MR. RAMEY: Mr. Arnold, you said that you wanted to comment on this one.

13

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A. That was my trainer speaking.

Q. Let's look at Exhibit Number One that you've marked, Mr. Kendrick, and have you identify this for me, please.

Q. Exhibit Number One is a plat of Townships 25 and 26 North, Ranges 24 West. It's to show an outline of the Blanco Mesaverde Pool, and colored in red is the 160-acre drill tract that's requested in this hearing.

Q. All right, sir, let's turn to Exhibit Number Two and have you tell me what that is.

MR. RAMEY: It seems to me you have the northeast quarter marked in red and Supron's exhibit shows the southwest. Are we talking about the same acreage?

1
2 MR. KELLAHIN: No, sir. The Supron acreage
3 should be the southeast quarter.

4 A Supron's acreage is the southeast quarter.

5 MR. RAMEY: And there we're talking about
6 the northeast quarter.

7 A Have these two cases been combined for
8 testimony?

9 MR. RAMEY: Yes.

10 A Okay, our application is for the north-
11 east quarter of Section 8.

12 Q Let me go back to Exhibit Number One, Mr.
13 Kendrick. What is Mr. Schalk's intentions with regards to
14 the development of that 160-acre non-standard proration unit?

15 A Mr. Schalk would prefer to drill a
16 Dakota -- excuse me, a Mesaverde gas well in the northeast
17 quarter of Section 8 as a heads-up type Mesaverde single com-
18 pletion, with a 160-acre dedication.

19 Q Are you familiar with the Mesaverde in-
20 fill orders of the Commission?

21 A Yes, sir.

22 Q And would you briefly summarize the
23 fundamental findings and holdings of that infill order with
24 regards to this particular area?

25 A It's my understanding that the decision

1
2 was made or the finding was made that given a reasonable
3 period of time, one well would not effectively drain the 320-
4 acre drill tract, so wells were authorized to be drilled as
5 a second well on the same 320-acre drill tract, but in the
6 other quarter section from which the original well was drilled.

7 Q Is Mr. Schalk's application for a non-
8 standard proration unit for this Mesaverde completion consis-
9 tent with the Commission infill order?

10 A Yes. There would just be one Mesaverde
11 well drilled in the northeast quarter.

12 Q All right. Let's turn to Exhibit Number
13 Two, which is the Mesaverde penetration map, and have you
14 identify that for us.

15 A The Mesaverde penetration map contains
16 Township 25 North, Range 3 West, and a 2-section tier of
17 wells in Section -- or in Township 25 North, Range 4 West,
18 and in 26 North, Ranges 3 and 4 West, to provide a little
19 bit of information surrounding the area in question of Section
20 8.

21 Also on this map the quarter section is
22 colored in in red and the Mesaverde Pool boundary is colored
23 in in green to show us proximity to the pool. It shows that
24 this acreage is an extension to the existing pool and is not
25 a pool well.

1
2 Q The well location on Exhibit Number Two
3 for Mr. Schalk's well appears to be in some portion of the
4 northeast quarter of the northeast quarter, Mr. Kendrick.
5 What is the location of Mr. Schalk's well to be in the north-
6 east quarter?

7 A The intent to drill as approved at this
8 time is the northeast quarter northeast quarter location.
9 It is the intention to move this well to a southwest quarter
10 of the northeast quarter, to a different location than is
11 currently staked.

12 Q In your opinion, Mr. Kendrick, is a
13 location in the southwest quarter of the northeast quarter
14 the optimum location from which to drill a Mesaverde test
15 to adequately and efficiently drain this proration unit?

16 A Based on the information we have at this
17 time it's possible it would be a better location in the south-
18 west quarter of the northeast quarter.

19 Q The best location is in the southwest
20 of the northeast?

21 A Based on the information we have at this
22 time, yes, sir.

23 Q All right. What is the working interest
24 ownership in the northeast quarter of this section?

25 First of all for the Mesaverde.

1
2 A For the Mesaverde formation, Mr. Schalk
3 has a farmout agreement to drill in the Mesaverde for 50 per-
4 cent of the Mesaverde. The other 50 percent of the Mesaverde
5 I understand is owned now by the Beartooth Oil Company.

6 Q And what is your understanding of the
7 ownership of the Dakota rights in that northeast quarter?

8 A I understand that Gulf Oil Corporation
9 owns 50 percent and the Beartooth Oil Company owns 40 percent
10 in the Dakota formation.

11 Q And what is your understanding of the
12 ownership in the southeast quarter, the Supron acreage with
13 regards to the Mesaverde and the Dakota?

14 A Based on the testimony given by Mr. Lee
15 they own 100 percent of all formations.

16 Excuse me, by "they" I mean Supron Energy
17 Corporation.

18 Q Let me direct your attention to Exhibit
19 Number Three, Mr. Kendrick, and have you identify that exhibit
20 for us.

21 A Exhibit Number Three is Townships 25
22 North, Ranges 3 and 4 West, and 26 North, Ranges 3 and 4 West,
23 showing the outlines of the Ojito, West Lindrith, and Wild
24 Horse Dakota oil pools, being in the southeast part of the
25 San Juan Basin. The quarter section involved in this case is

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2

also colored in red.

3

Q

And Exhibit Number Four.

4

A

Exhibit Number Four is Township 25 North, Range 3 West, with a 2-section perimeter on the west and north sides in Township 25 North, and Townships 26 North, Ranges 3 and 4 West, to show the proximity of the wells which have penetrated the Dakota formation about December the 1st of 1980.

10

Q

These Dakota completions are in the Ojito Dakota Pool?

12

A

Well, there are some in the Ojito Dakota Pool; some in the Basin Dakota Pool; some in the -- one is shown in the Wild Horse Dakota Pool; and some in the West Lindrith Dakota Pool, and some which apparently are West Lindrith Gallup-Dakota extensions.

17

Q

How would you evaluate the prospects of a Dakota completion in the northeast quarter of this section?

19

A

With three dry holes to the north between this location and any producing gas wells to the north, and four wells which produced as oil wells immediately southwest, I would say that the completion of a Dakota well on this location has a whole lot better chance of being an oil completion than a gas completion.

25

Q

What, if any, understanding do you have,

1
2 Mr. Kendrick, with regards to Mr. Schalk's opportunities to
3 earn or develop Gulf's share of the Dakota rights in the
4 northeast quarter?

5 A It's my understanding that the farmout
6 to Mr. Schalk for the Mesaverde is still negotiable for the
7 Dakota rights from the Gulf Oil Corporation.

8 Q Based upon your study of this area, Mr.
9 Kendrick, would you recommend that Mr. Schalk drill a well
10 that would test the Dakota rights?

11 A I could not recommend it because of the
12 economics between the three dry holes and an oil completion
13 that did not produce too much oil in the Dakota formation.

14 Q In your opinion would a well that was
15 dually completed with the Dakota formation and the Mesaverde
16 formation be an economic proposition for which you would
17 recommend that Mr. Schalk undertake?

18 A I could not recommend that the Dakota
19 formation be completed because at this time it does not ap-
20 pear to be an economically feasible venture to deepen the
21 well from the Mesaverde to the Dakota for the small amount
22 of production that would be retrieved from the Dakota formation.

23 Q Generally what are the costs of a single
24 completed Mesaverde formation in this area?

25 A Somewhere in the range of \$300,000 to

1
2 \$350,000.

3 Q That's a completed well cost?

4 A Yes, sir.

5 Q And that would be for a Mesaverde single
6 completion.

7 A Yes, sir.

8 Q What would be the additional costs to
9 go ahead and drill this well to the Dakota formation?

10 A The additional costs, in my opinion,
11 would be in the range of \$150,000 to \$175,000.

12 Q What is your understanding of Mr. Schalk's
13 anticipated gas purchaser for the gas to be produced out of
14 the Mesaverde for the northeast quarter?

15 A The gas produced from the northeast
16 quarter would be dedicated to interstate sales.

17 Q I believe the testimony just now from
18 Supron employee indicated that they were selling to Southern
19 Union Gas, or Gas Company, under intrastate contracts?

20 A That was my understanding, yes.

21 Q What if any difference does that make
22 for Mr. Schalk?

23 A The interstate price may be considerably
24 different than the intrastate price, favorably -- more favor-
25 ably for the interstate price.

1
2 Q Would you recommend to Mr. Schalk that
3 he participate in a 320-acre east half proration unit, in
4 which wells were drilled in each of the quarter sections, and
5 that the working interest then spread the risk and share the
6 potential profits from both wells?

7 A I would make that recommendation but I
8 don't think Mr. Schalk wants to make that approach. He would
9 prefer to make that heads-up type well for his own investment.

10 Q What -- what if any advantage is there
11 to Supron or to Mr. Schalk with regards to any tight sand
12 incentives in separating these two proration units?

13 A The tight sand incentive at the present
14 time, as I understand it, would be available for the inter-
15 state price but may not be available for the intrastate
16 price.

17 MR. ARNOLD: May I interrupt? Why is
18 that?

19 A I'm not sure what the New Mexico legis-
20 lature has approved as far as tight sand prices in the
21 State of New Mexico, or what they will approve, but I under-
22 stand that there is a considerable bonus available for incen-
23 tive to drill tight sands on interstate price level.

24 MR. ARNOLD: But there's no law to that
25 effect at the moment, though, is there, which controls tight

1
2 sand gas within the state?

3 A I'm not sure of any.

4 MR. ARNOLD: The only gas pricing bill
5 that I'm aware of, is the one that does put a ceiling on all
6 intrastate gas, that somebody has written in the -- Mr.
7 Ramey?

8 MR. RAMEY: I know of none. The only
9 one I know if it qualifies for tight sand, the well is eligible
10 for tight sand gas pricing whether it be interstate or intra-
11 state. The same with 103 and 102 classification.

12 Q The northeast quarter of this section,
13 Mr. Kendrick, is that acreage subject to drainage by any of
14 the offsetting Mesaverde or Dakota wells?

15 A There is a Mesaverde well drilled and
16 producing in the northwest quarter of this section. There
17 are no Dakota offsets to this well.

18 Q In your opinion, Mr. Kendrick, will
19 approval of Mr. Schalk's application be in the best interest
20 of conservation, prevention of waste, and protection of
21 correlative rights?

22 A I think so, based on the information
23 that we have at this time.

24 MR. KELLAHIN: May I have a minute,
25 please?

1
2 MR. RAMEY: Yes.

3 MR. KELLAHIN: At this point, Mr. Ramey,
4 we would ask Mr. Kendrick some questions with regard to the
5 compulsory pooling case. I don't believe that will be neces-
6 sary. Mr. Buell and I have stipulated and agreed that the
7 compulsory pooling case will not be necessary; that Beartooth
8 is here to contest whether or not the non-standard proration
9 units ought to be approved or not, but that should the Com-
10 mission approve the non-standard proration units, then they
11 will agree to join in the drilling of a single Mesaverde com-
12 pletion to test the northeast quarter by Mr. Schaik.

13 And therefor, we will at this point,
14 based upon that agreement, dismiss Case 6996, and in addition,
15 we will withdraw our opposition to Beartooth's participation
16 in the hearings with regards to the non-standard gas proration
17 unit here.

18 MR. RAMEY: Okay, then we can dismiss
19 Case 6996, and we won't have to rule on your motion, is that
20 correct?

21 MR. KELLAHIN: Is that what we agreed
22 to?

23 MR. BUELL: Yeah, but I characterize
24 that motion --

25 MR. KELLAHIN: That concludes my exam-

ination of Mr. Kendrick.

MR. RAMEY: Any questions of Mr. Kendrick?

MR. BUELL: I have none.

MR. RAMEY: Mr. Kendrick, for the record now, -- no, I don't want to ask you that question. Thank you. You may be excused.

Mr. Buell, you may proceed.

MR. BUELL: On behalf of Beartooth Oil and Gas Company, we would call our first witness, Mr. Donald K. Roberts.

DONALD K. ROBERTS

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Roberts, would you please state your name, where you reside, by whom you're employed, and in what capacity?

A Donald K. Roberts. I'm employed by Beartooth Oil and Gas Company, Billings, Montana. I'm the President of Beartooth Oil.

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Q

What is Beartooth Oil Company's interest in the east half of Section 8 under discussion here?

A

As Mr. Kendrick pointed out, we own or control a half interest in the Mesaverde in the northeast quarter and a half interest in the Dakota in the northeast quarter of Section 8.

Q

You do not have any interest in the southeast quarter?

A

No, that's 100 percent Supron.

Q

When did you acquire your interest in the northeast quarter of Section 8? Your interests? The approximate date?

A

It would be last August.

Q

So that would be between the date of the hearing and the date of the issuance of the order in these two applications?

A

That's when we acquired the interest under an agreement that exists now.

Q

Now, Mr. Roberts, you oppose these two applications. Would you explain briefly why you do so?

A

First of all, from a technical point of view, I don't think we have any argument with either Mr. Kendrick or Supron that the risk lies -- the Dakota is higher risk than the Mesaverde, simply because of the lack of Dakota

1
2 that the Dakota is higher risk than the Mesaverde, simply be-
3 cause of the lack of Dakota controls in the area as compared
4 to the Mesaverde.

5 Our concern is that by granting 260-acre
6 spacing units, deviates from a procedure that the New Mexico
7 Commission has for a number of years and that the Mesaverde
8 has been on 320-acre spacing with two wells through the in-
9 fill program and the same with the Dakota.

10 We see no reason to deviate from the
11 320 acre spacing for both formations in allowing two wells to
12 be drilled.

13 We think to do otherwise in this instance
14 because of the diversity of ownership could lead to a bad
15 precedent by the Commission and would undermine the entire
16 concept of the infill program, which we feel has worked very
17 satisfactorily. We operate in another -- number of other
18 states where similar situations are beginning to arise where
19 closer spacing is needed in old gas producing areas, and what
20 New Mexico did in the San Juan Basin, we know from personal
21 experience, has been looked upon with favor by other oil and
22 gas commissions.

23 We have some difficulty in understanding
24 why in this instance they would go to 160-acre spacing rather
25 than two wells with common ownership under 320.

1
2 Q Are you willing -- or is Beartooth Oil
3 and Gas Company willing to join in the drilling of the well
4 by Supron in the southeast quarter?

5 A Yes, we are.

6 Q Are you willing to join in the drilling
7 of a well in the northeast quarter?

8 A Yes.

9 Q In other words, you will join and parti-
10 cipate with anybody --

11 A That's correct.

12 Q -- in the east half?

13 Are you aware in your personal knowledge
14 of where the 320-acre spacing in the Mesaverde has been split
15 into two 160 units before?

16 A I have not done an exhaustive search of
17 it, but I am not, and I've talked to a number of people who
18 are very familiar with it and none of them could recollect
19 160-acre spacing in the Mesaverde.

20 Q If the two applications that are pre-
21 sently pending and consolidated here are granted, do you feel
22 your correlative rights will be adequately protected?

23 A I think our correlative rights would
24 be better protected by having an interest in a well both in
25 the northeast quarter and in the southeast quarter.

Q Do you have anything further to add?

A In regard with correlative rights, not only our correlative rights but other one's correlative rights, and the prevention of waste, I don't think would be changed or better protected by maintaining a 320-acre spacing with two wells than it would be with going to 160-acre spacing.

MR. BUELL: I have nothing further of this witness.

MR. RAMEY: Any questions of Mr. Roberts Mr. Carr?

CROSS EXAMINATION

BY MR. CARR:

Q Mr. Roberts, I just didn't hear your answer to the question when did Beartooth acquire its interest in this -- in the northeast quarter.

A The agreement, we have a farmout agreement from the Cayias interest. The first agreement was entered into between the Monell interest and Curtis Little in March or April. That agreement died of its own terms when he was unable to obtain some title curative work and obtain a drilling rig.

We would have participated with him under that agreement.

1
2 After that agreement died, we entered
3 into a new agreement with Monell in August.

4 Q And at that time were you aware of
5 Supron's plans to develop the southeast quarter on the 160-acre
6 spacing basis?

7 A We knew there were some discussions being
8 had as to dividing up on 160's. I think that was prior to
9 the hearing, if my dates -- if I remember the dates correctly.

10 Q Mr. Roberts, if Supron's application
11 were granted, is there anything that would prevent Beartooth
12 from going ahead and drilling a well to produce its just and
13 fair share of the reserves underlying its interests in its
14 lease?

15 A In the northeast quarter?

16 Q Yes.

17 A We would have the right to drill a Mesa-
18 verde-Dakota well in the northeast quarter with the other
19 working interest owners in the northeast quarter.

20 MR. CARR: I have nothing further.

21
22 CROSS EXAMINATION

23 BY MR. KELLAHIN:

24 Q Mr. Roberts, you don't disagree that in
25 order to effectively and efficiently develop the east half

1
2 of this section there's got to be two Mesaverde wells drilled
3 You don't have any dispute with the infill order, do you?

4 A No.

5 MR. KELLAHIN: No further questions.

6 MR. RAMEY: Mr. Nutter, can you recall,
7 have we had a case where we granted non-standard --

8 MR. NUTTER: Yeah, there are a few.

9 MR. RAMEY: It seems that I --

10 MR. NUTTER: There has been a precedent
11 for this action.

12 MR. RAMEY: As I recall, it seems like
13 one lease had a stipulation that if there were two wells
14 drilled on the 320, why it reverted back to two 160-acre
15 leases, it seems to me.

16 MR. KENDRICK: Mr. Ramey, may I refresh
17 your memory? In Township 27 North, Range 8 West, there are
18 two sets of operators who acquired 160-acre drilling tracts,
19 the R&G Drilling Company and the partner in their operations
20 in I think three pairs of the wells, and the Lynn Oil Company
21 and Atlantic Richfield Company, I think split two pairs of
22 wells.

23 MR. RAMEY: Thank you, Mr. Kendrick.

24 A I might add that by now establishing
25 160-acre spacing in an undrilled 320-acres, isn't the Com-

1 mission about to get deluged with similar applications if
2 you run around the San Juan Basin and can find such things;
3 that everybody's going to want to come in if they think their
4 160 is better than the other guy's 160, and want to form 160-
5 acre spacing units that preclude the other quarter section
6 owner?
7

8 MR. ARNOLD: I think that's legitimate
9 reasoning, all right.

10 MR. RAMEY: Probably the best thing for
11 granting separate wells in this pool might have been to space
12 it on 160 acres, but I think correlative rights were involved,
13 and I think the Commission took the only course they could
14 in granting the second well instead of going to 160-acre
15 spacing.

16 A We agree with that, because with the
17 old and the new wells and the price differential, and there's
18 no problem there.

19 We're worried about deviating from that
20 policy now.

21 MR. RAMEY: I think in the case here
22 you would not have that situation, and would not be -- since
23 you have an old well, say, in the southeast quarter, and then
24 propose the second well, I think correlative rights would --
25 would be protected by a 320-acre unit. But in this case, it's

possible that correlative rights can be protected by granting the two 160-acre units. That would probably be the decision of the Examiner.

A. In effect, aren't you then saying that you've got 320 up to a certain date and then on any 320's that have never had a well drilled on them, they then become 160's after that date?

MR. RAMEY: That's possible. It's possible.

Any other questions of Mr. Roberts? He may be excused.

A. Thank you.

MR. BUELL: Call Mr. Roy Pritchard.

ROY L. PRITCHARD

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

DIRECT EXAMINATION

BY MR. BUELL:

Q. Would you state your name, please?

A. Roy L. Pritchard.

Q. And by whom are you employed, Mr. Pritchard?

Q And by whom are you employed, Mr. Pritchard?

A Well, I am a consulting geologist, employed by Beartooth.

Q And where do you reside?

A In Farmington, New Mexico.

Q Are you familiar with the two applications that are presently before the Commission by Supron and John Schalk?

A Yes, sir.

Q Have you previously testified before the Commission or one of its Examiners and had your qualifications as a geologist accepted?

A Yes, sir.

MR. BUELL: We tender Mr. Pritchard as an expert witness.

MR. RAMEY: He's so qualified.

Q Mr. Pritchard, how long have you been working as a geologist in the San Juan Basin area?

A Since 1950.

Q So that's approximately 31 years?

A Approximately.

Q And during that period of time have you particularly specialized in dealing with any single formation?

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A well, not exclusively but since, oh, 1960 I have primarily worked with the Mesaverde.

Q So that's for approximately the last 20 years.

A As a consulting geologist and having worked for -- and working for Beartooth, would you recommend that these two applications be approved?

A Well, no.

Q And why not, sir?

A Well, in addition to what Mr. Roberts has said, I would like to add that there are numerous areas in the San Juan Basin where similar situations exist where 320-acre drilling units have diverse ownership, and as Mr. Roberts stated, there might be a deluge of applications to the Commission.

A But to me it appears that there are many areas where the Mesaverde has been noncommercial in the past. These are areas that I can think of, where the Pictured Cliffs has been developed on 160's and the Pictured Cliffs ownership for sure in many cases goes to all depths. There are numerous state leases which were sold as 160-acre tracts to where you're going to have a problem.

A And, as a consultant, I would feel duty bound to advise any client that I had to seek an application

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2 for a hearing to establish 160-acre Mesaverde unit, if I
3 thought it were to his benefit. And I would like to say that
4 I feel that the present infill system has worked very well,
5 and I would not like to see it change.

6 MR. BUELL: I have nothing further of
7 this witness.

8 MR. RAMEY: Any questions of Mr. Pritchard?

9 MR. KELLAHIN: Yes, sir.

10 MR. RAMEY: Mr. Kellahin.

11
12 CROSS EXAMINATION

13 BY MR. KELLAHIN:

14 Q I'm having a little difficulty under-
15 standing your --

16 A Oh, I'm sorry.

17 Q -- reasoning, sir. Let me ask you this.
18 If areas such as the east half of Section 8 are in fact deve-
19 loped on 160 acres, you don't disagree with the proposition
20 in the infill order that one well in the Mesaverde cannot
21 effectively and efficiently drain within a reasonable period
22 of time the Mesaverde.

23 A I agree.

24 Q And that whether we have two wells on
25 a 320 under the infill order or whether we have one well on

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two non-standard proration units, each of which is 160 acres, we're not going to be drilling unnecessary wells, are we, sir?

A No.

Q Based upon your study, we are not, by approving the non-standard proration units, going to leave behind Mesaverde production that we might otherwise recover, are we?

A No, I don't think so.

Q In fact, just the reverse, if we are on 160's then instead of an operator holding 320, if he's on 160 that's the only acreage he would control, and we're going to have to drill that second well in order to properly and efficiently develop the Mesaverde formation.

A That is true.

Q If those things are true, upon what do you disagree with the proposition that we ought to have non-standard proration units, such as this?

A Well, in the Mesaverde in the San Juan Basin we have trends -- well, say the geometry of the sandstone beds, and I speak primarily of the Point Lookout, which I think contains probably 80 to 85 percent of the gas in the Mesaverde, the trends run northwest-southeast, as I'm sure everyone here knows, but if you've got, say, an east half, that is a half section that runs north-south, then you are

1
2 going to have porosity differences in -- or even maybe bed
3 differences. You might -- one of the quarter sections might
4 have a Point Lookout bed that is absent in the other one, and
5 through my past studies this I have learned, I know the area,
6 and this is why I said that I would recommend to a client to
7 break out his half if he -- if it were to his advantage, but
8 not if it were to his disadvantage. I'd feel duty bound to
9 a client to do that.

10 But there is a great difference at times.
11 Especially north-south.

12 Q So what you're saying, an individual
13 operator working interest owner sometimes has an economic
14 advantage if it is 320 and he sometimes has an economic ad-
15 vantage at the 160.

16 A I'd say that that is true.

17 Q But in either situation the -- we're not
18 drilling unnecessary wells, nor are we leaving Mesaverde
19 production that ought to be produced.

20 A No.

21 Q All right, sir.

22 MR. ARNOLD: I'd like to ask a question
23 or two, Mr. Pritchard.
24
25

CROSS EXAMINATION

BY MR. ARNOLD:

Q To expand on that, actually, if you had a half section where you have one very good one 160 --

A Uh-huh.

Q -- and one very sorry 160 and two separate owners in the 160's, what you're saying is that you could easily get into the man who owns the good 160 would see that he could gain substantially by drilling a well on his 160 and not participating in the --

A Yes, sir.

Q -- whole 320. That's the question. And another reason that it puts the man with the other 160 in a bad position is that he might be forced into a forced offset situation where he would be required to even possibly drill a well that he didn't want to drill.

As I recall the proration hearing when we decided to go the route of two wells on a 320 rather than 160-acre spacing, that was the primary reasoning.

MR. KELLAHIN: The fact situations presented to the Commission today are not quite the same as Mr. Arnold's example. His example demonstrates that we have 100 percent in 160 by one operator and 100 percent in 160 by another operator, and under one 160 there is good or poten-

1
2 tially good Mesaverde and the other one in the other 160 has
3 crumby Mesaverde, and he's going to oppose the other operator
4 that wants to break them off.

5 Is that not different than what we have
6 here today, where we have Supron with its 100 percent in the
7 160 wanting to drill their acreage, and Mr. Schalk in the ad-
8 joining acreage also wants to drill his own well, and the
9 only thing missing is that he lacks a 100 percent in that
10 Mesaverde. In other words, we don't quite have that same
11 situation here, do we?

12 MR. ARNOLD: I wasn't meaning to indicate
13 that that was the case herein. I thought we were addressing
14 a matter of precedence and you were having a hard time under-
15 standing why it had ever been --

16 MR. KELLAHIN: No, I can understand how
17 it can make a difference sometimes, but my question is whether
18 in this fact situation it makes a difference.

19 MR. RAMEY: Did you get your answer, Mr.
20 Kellahin?

21 MR. KELLAHIN: No, sir.

22 MR. RAMEY: Did you want an answer?

23 MR. KELLAHIN: No, sir.

24 MR. RAMEY: Any other questions of Mr.
25 Pritchard? He may be excused.

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MR. BUELL: I have nothing further.

3

MR. RAMEY: Do you have anything further

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Mr. Carr?

5

MR. CARR: I'd like to make a statement.

6

MR. KELLAHIN: I already have.

7

MR. CARR: It sounds like my statement

8

distinctly resembles Mr. Kellahin's question.

9

As I understood the Commission's reasoning in authorizing infill drilling of 320-acre tracts, it was to permit the development of the Mesaverde under a greater well density without at the same time impairing correlative rights.

14

What we have here -- we do not have here a situation where we have one owner with the sweet half of the 320 acres who's trying to create a non-standard proration unit, thereby carving out the other interest and forcing him into a situation where they either have no well or have to drill an offset.

20

What we have here is a situation where we have two individual operators, each of whom is proposing to drill their respective quarter sections.

23

Now, this Commission is charged with protecting correlative rights, and correlative rights are defined as affording to each interest owner an opportunity

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2 to produce his just and fair share of the reserves under his
3 tract, and we submit that the fair way to do that, the best
4 way to protect the correlative rights of all those involved
5 is to let each, afford each the opportunity to produce their
6 share of the reserves under their tract, and to do that, we
7 submit you should grant both the applications of Mr. Schalk
8 and Supron.

9 MR. RAMEY: Thank you, Mr. Carr.

10 MR. BUELL: Very briefly, Mr. Ramey, I
11 think that the issue here is one of policy and what the Com-
12 mission wishes to establish as a policy and precedent. And
13 secondly, I think correlative rights are very much being
14 affected in this particular hearing.

15 We certainly have no argument with Mr.
16 Kellahin's testimony concerning the prevention of waste.
17 It's well recognized, but I think the issue here to be addressed
18 is one of correlative rights and I think that my client's
19 correlative rights are being affected.

20 MR. RAMEY: Thank you, Mr. Buell.

21 The Commission will take Cases 6965 and
22 6896 under advisement.

23
24 (Hearing concluded.)
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 Conserva-
tion 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 C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Sausalito, New York 10087
Phone (505) 153-7409



BRUCE KING
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

February 10, 1981

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-3434

Re: CASE NO. 6965
ORDER NO. R-6497-A

Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

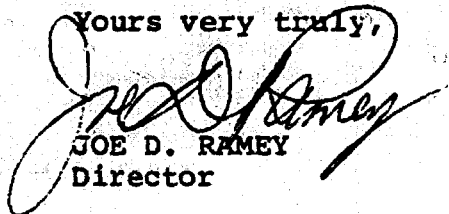
Applicant:

Supron Energy Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other Thomas Kellahin, Sumner Buell

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 6965 DE NOVO
Order No. R-6497-A

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 19, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 9th day of February, 1981, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Supron Energy Corporation, seeks an order for the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPK, Rio Arriba County, New Mexico.

(3) That the matter came on for hearing at 9 a.m. on July 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter and, pursuant to this hearing, Order No. R-6497 was issued on October 21, 1980, which granted Supron's application for a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPK, Rio Arriba County, New Mexico.

-2-

Case No. 6965 De Novo
Order No. R-6497-A

(4) That on November 17, 1980, application for Hearing De Novo was made by Curtis J. Little and Beartooth Oil and Gas Company and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing de novo on January 19, 1981.

(6) That the evidence adduced at said hearing indicates that Division Order No. R-6497 entered October 21, 1980, should be affirmed.

IT IS THEREFORE ORDERED:

(1) That Division Order No. R-6497, entered October 21, 1980, is hereby affirmed.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

ALEX J. ARMIJO, Member


EMERY E. ARNOLD, Member


JOE D. RANEY, Member & Secretary

S E A L

rd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
11 December 1980

COMMISSION HEARING

IN THE MATTER OF:

Application of Supron Energy Cor-
poration for a non-standard gas
proration unit, Rio Arriba County,
New Mexico.

CASE
6965

BEFORE: Oil Conservation Commission

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Commission:

Ernest L. Padilla, Esq.
Legal Counsel to the Commission
State Land Office Bldg.
Santa Fe, New Mexico 87501

MR. RAMEY: Call next Case Number 6965.

MR. PADILLA: Application of Supron
Energy Corporation for a non-standard gas proration unit,
Rio Arriba County, New Mexico.

MR. RAMEY: This case will be continued
to the next scheduled Commission Hearing.

(Hearing concluded.)

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 C.S.R.

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
11 December 1980

COMMISSION HEARING

IN THE MATTER OF:)
)
)
Application of Supron Energy Cor-)
poration for a non-standard gas)
proration unit, Rio Arriba County,)
New Mexico.)
)

CASE
6965

BEFORE: Oil Conservation Commission

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Commission:	Legal Counsel to the Commission
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

MR. RAMEY: Call next Case Number 6965.

MR. PADILLA: Application of Supron
Energy Corporation for a non-standard gas proration unit,
Rio Arriba County, New Mexico.

MR. RAMEY: This case will be continued
to the next scheduled Commission Hearing.

(Hearing concluded.)

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 C.S.R.

October 25, 1979

Gulf Oil Corporation
P.O. Box 1150
Midland, TX 79701

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

J via MONTGOMERY 505-393-4121
PO Box 670
HOBBS N. MEX 88240

RE: Mesaverde Test Well
E/2 Section 8, T-25-N, R-3W
Rio Arriba County, New Mexico

Gentlemen:

Supron Energy Corporation proposes the formation of a unit comprised of the E/2 of Section 8, Township 25 North, Range 3 East, Rio Arriba County, New Mexico, for the drilling of an approximate 6,350' Mesaverde Test Well at a legal location in SE₄. We estimate the cost to be \$150,000.00 for a dry hole and \$250,000.00 for a producer. Our records indicate that Gulf and Cayias each own an undivided 50% interest below the base of the Pictured Cliffs formation in and to NE₄ of Section 8.

Provided you are agreeable to participating in the proposed Test Well, kindly indicate your acceptance in the space provided and return one (1) copy to the attention of the undersigned. As an alternative, Supron would be willing to farm in your interest on mutual agreeable terms.

In the event you elect to participate, your early reply would be most appreciated in order that we may begin preparation of a Communitization and Operating Agreement covering same. In the meantime, should you have any questions, please feel free to contact the undersigned or Mr. Jerry Lee of our Drilling and Production Department.

Sincerely,

Gaby Bjerke
Area Landman

GB:ap

AGREED TO AND ACCEPTED
this _____ day of _____, 1979.

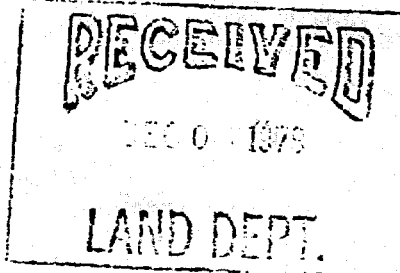
BY: _____

5 E 4 Supron

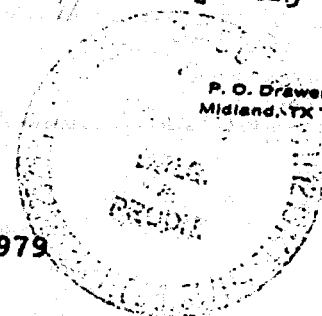
BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. 4965	Exhibit No. 1
Submitted by B. J. Bjerke	
Hearing Date 11/1/81	

915 627 1301
Gulf Oil Exploration and Production Company

R. E. Griffith
MANAGER LAND, SOUTHWEST DISTRICT



November 27, 1979



Re: Mesaverde Test Well
E/2 Section 8, T-25-N,
R-3-W, RIO ARRIBA COUNTY,
New Mexico

Mr. Blackham

Supron Energy Corporation
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

With reference to your letter of October 25, 1979, please be advised that Gulf has carefully reviewed your request and is not interested at the present time.

We do wish to thank you for the opportunity to consider your proposal.

Yours very truly,

R. E. Griffith

R. E. GRIFFITH

CTB/dh

*NE 1/4 already committed to a 7.0
well drilling now
12-5-79*



A DIVISION OF GULF OIL CORPORATION

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. _____ Exhibit No. _____

Submitted by _____

Hearing Date _____

January 4, 1980

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

RE: Mesaverde Test Well
E $\frac{1}{2}$ Sec. 8, T-25-N, R-3-W
Rio Arriba County
NEW MEXICO

Dear Mr. Cayias:

Confirming our phone conversation of today, you expressed that you were not interested in either participating or farming out in the proposed Test Well on the above acreage if price of gas sold was less than approximately \$3.00 per MCF.

Supron's acreage in SE $\frac{1}{4}$ of Section 8 is dedicated to the Gas Company of New Mexico under contract dated May 1, 1972. However, your interest under NE $\frac{1}{4}$ of Section 8 is not. The Joint Operating Agreement provides that a non-operator may take his share of production in kind, and therefore you could sell to a third party at any price you can get.

Therefore, we wish you would reconsider our proposal of October 25, 1979. If you need further information, please advise.

Yours very truly,

Gaby Bjerke
Landman

G3:ap

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. _____ Exhibit No. _____
Submitted by _____
Hearing Date _____

A.J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 230
ARIZONA, NEW MEXICO 88210

AREA CODE 508
746-3508

28 March 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 079609, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4859

Section 8: SE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3" Well.

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 1965 Exhibit No. 2
Submitted by STPCK
Hearing Date 1/19/81

In connection with the title to the oil and gas lease covering the
lands described in the caption hereof, we have examined the fol-
lowing:

1. Abstract of Title No. 31782 compiled by Federal Abstract
Company, Santa Fe, New Mexico, containing 164 pages and
tracing title to the captioned lease and lands from the
Plat Book Records, Historical Index Records, Serial Record
and Case File in the United States Land Office, Santa Fe,
New Mexico, to October 1, 1979 at 10:00 A.M.
2. Abstract of Title No. 10408 compiled by Espanola Abstract
Company, Inc., Espanola, New Mexico, containing 89 pages and
tracing title to the mineral estate only from the records in
the Offices of the County Clerk and Clerk of the District
Court of Rio Arriba County, New Mexico, from the inception
of the records to February 14, 1980 at 9:00 A.M.

From our examination of the foregoing, we report as follows:

I. TITLE:

1. Minerals. United States All

2. Oil and Gas Leasehold Estate.

United States . . . . .	.125 RI
Thomas J. McCroden, Trustee of the Clara B. McCroden Trust dated July 29, 1975 . . . . .	.025 ORI
*Paul S. Albright, whose wife is Laura Z. Albright . . . . .	.010 ORI
Supron Energy Corporation . . . . .	.840 WI

*Until \$25.00 per acre shall have been recovered from the captioned lands and NE/4, S/2 Section 9, Township 25 North, Range 3 West, whereupon this ORI shall reduce to .005 and the WI shall proportionately increase.

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date: September 1, 1948

Serial No.: SF 079609

Lessor: United States

Original Lessee: N. G. McCroden

Present Lessee: Supron Energy Corporation

Lands Covered: Captioned lands and other lands totaling 800 acres, more or less

Primary Term: Five years, with right to extend for an additional five years

Rental: 50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years

Minimum Royalty: Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage

Royalty: 12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

The primary term of this lease was extended until August 31, 1958. Annual rentals are shown as paid through August 31, 1957. A USGS memorandum notes the completion on July 7, 1956 of the No. "1-A" McCroden in the NE/4 NE/4 of Section 9, on other lands in the lease. This lease is now considered in a producing status and its royalty account is maintained by the USGS.

III. COMMENTS:

1. Surface Patent. By Letters Patent 999374 dated March 30, 1927, the United States conveyed the captioned lands and other lands to Tom H. Smith, and reserved the coal and other minerals in the lands so entered and patented. The oil and gas lessee's rights are dominant to the surface patentee's rights, but you will be required to compensate the surface owner for damages caused by your operations thereon.

2. Right of Reassignment. By assignment dated November 17, 1953, approved January 4, 1954, N. G. McCroden and Clara B. McCroden, his wife, conveyed the SE/4 and other lands to Paul S. Albright. In this assignment the assignee agreed not to surrender the lease without tendering to assignor a reassignment at least 120 days prior to the time for the payment of the next annual rental or the expiration of the lease in the event it may be extended or renewed other than by drilling operations. There is no provision limiting the liability of assignee for breach of this reassignment provision. You should set up your records to comply with its terms.

IV. REQUIREMENTS:

1. Royalty Account. As noted above, this is a producing lease and the status of its royalty account is not shown in the abstracts, for the same is maintained by the USGS. We should be furnished with a letter from the USGS setting forth the status of the royalty account on this lease and we have written for such a report.

2. Assignments Not Recorded in the County. The following assignments, although filed with and approved by the U. S. Land Office, have not been recorded in the County records: dated November 17, 1953, approved January 4, 1954, from N. G. McCroden et ux to Paul S. Albright; and dated January 1, 1961, approved April 1, 1961, from Paul S. Albright et al to Southern Union Production Company.

The filing with and approval by the U. S. Land Office of an assignment of a federal oil and gas lease, does not constitute notice to the world and does not protect the assignees in any such assignment from the rights of third parties claiming under the assignor.

An executed and acknowledged copy, or a copy certified by the U. S. Land Office, of each of the above assignments should be recorded in the County records in order that you may have the benefit of the constructive notice provisions of our recording statutes.

3. N. G. McCroden Estate. N. G. McCroden, the original lessee, reserved the .025 ORI we have credited to the Clara B. McCroden Trust. By assignment dated August 7, 1975, Clara B. McCroden, ancillary executrix of the estate of Noble Gardner McCroden, conveyed this ORI to Clara B. McCroden, widow and only heir at law. The assignment recites that the McCroden estate was probated in Lea County, New Mexico, District Court Case No. 35462. Proceedings on this estate are not shown in the material examined. In the event production is obtained, we should be furnished with this complete court file to determine that the proceedings were regular and properly conducted, and that Clara B. McCroden was the sole heir of N. G. McCroden, whom we have assumed to be the same person as Noble Gardner McCroden.

When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the lease and lands described in the caption hereof, on the date to

Supron Energy Corporation

No. 4655

which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.



A. J. Losee

AJL:jcb

Abstracts returned herewith.

A.J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508

10 April 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 080565-A, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4864

Section 8: NE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3".

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

In connection with the title to the oil and gas lease covering the
lands described in the caption hereof, we have examined the fol-
lowing:

1. Abstract of Title No. 31782 compiled by Federal Abstract Company, Santa Fe, New Mexico, containing 164 pages and tracing title to the captioned lease and lands from the Plat Book Records, Historical Index Records, Serial Record and Case File in the United States Land Office, Santa Fe, New Mexico, to October 1, 1979 at 10:00 A.M.
2. Abstract of Title No. 10408 compiled by Espanola Abstract Company, Inc., Espanola, New Mexico, containing 89 pages and tracing title to the mineral estate only from the records in the Offices of the County Clerk and Clerk of the District Court of Rio Arriba County, New Mexico, from the inception of the records to February 14, 1980 at 9:00 A.M.
3. Certified copy of Indenture of Conveyance dated June 10, 1966, in two parts, Part I being a conveyance of operating rights from Rock Creek Corporation to Cenard Oil & Gas Company, with the reservation of a production payment, and Part II being an assignment of the production payment from Rock Creek to Quadrangle Foundation, Inc.

From our examination of the foregoing, we report as follows:

I. TITLE:

1. Minerals. United States
2. Oil and Gas Leasehold Estate.

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico Case No. <u>6965</u> Exhibit No. <u>3</u> Submitted by <u>B. D. K. E.</u> Hearing Date <u>1/17/81</u>
--

a) From surface to base of Pictured Cliffs formation.

United States . . . . .	.125 RI
Mercantile National Bank at Dallas, Trustee of the M. J. Florance Trust . . . . .	.025 ORI
Sam Dazzo . . . . .	.010 ORI
*g**Jack Cayias (1/2 of .84) . . . . .	.420 WI
*J. R. Abraham (1/2 of .84) . . . . .	.420 WI

b) Below base of Pictured Cliffs formation.

United States . . . . .	.125 RI
Mercantile National Bank at Dallas, Trustee of the M. J. Florance Trust . . . . .	.025 ORI
Sam Dazzo . . . . .	.010 ORI
Cenard Oil & Gas Company . . . . .	.040 ORI
Ossie L. Cayias . . . . .	.025 ORI
J. R. Abraham . . . . .	.025 ORI
*Minel, Inc. (1/2 of .75) . . . . .	.375 WI
*g**Jack Cayias (1/2 of .75) . . . . .	.375 WI

*These interests are either subject to a .09 net overriding royalty or 1/2 of such WI has vested in third parties (depending upon payout) created by assignment referred to in Requirement 2.a) below.

**95% of this interest is subject to \$225,000, exclusive of taxes, production payment held by Quadrangle Foundation, Inc. and mortgaged to First National Bank of Chicago. See Requirement 2.c) and 4.d) below.

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date:	September 1, 1951
Serial No.:	SF 080565-A, formerly SF 080565
Lessor:	United States
Original Lessee:	M. J. Florance
Present Lessee:	Gulf Oil Corporation
Lands Covered:	Captioned lands and other lands totaling 1,566.02 acres, more or less
Primary Term:	Five years, with right to extend for an additional five years
Rental:	50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years

Minimum Royalty: Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage

Royalty: 12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

Annual rentals in the amount of \$391.75 for the 1,566.02 acres, are shown as paid to September 1, 1956. A USGS accounting advice notes the completion of a producing well on the lease on October 30, 1955. The location of this well is not shown in the material examined. By partial assignment dated December 12, 1962 the captioned lands and other lands totaling 1,015.18 acres, were segregated from the base lease and given Serial No. SF 080565-A. This partial assignment extended the term of the segregated lease until February 28, 1965. By accounting advice dated June 12, 1963 the USGS confirmed that segregated lease SF 080565-A was in a producing status. The royalty account on this lease is maintained by the USGS and its status is not shown in the materials examined.

III. COMMENTS:

1. Surface Patent. By Letters Patent 949348 dated December 6, 1924, the United States conveyed the captioned lands and other lands to Frank W. Vogel, and reserved the coal and other minerals in the lands so entered and patented. The oil and gas lessee's rights are dominant to the surface patentee's rights, but you will be required to compensate the surface owner for damages caused by your operations thereon.
2. Natural Gas Purchase Contract. The County abstracter notes the recording in Book 48, Page 117 of Natural Gas Purchase Contract between Southern Union Production Company and Southern Union Gas Company, dated April 12, 1961. This contract is omitted from the abstract. The County abstract covers the entire E/2 of Section 8, and it may be that the captioned lands are not covered by this contract. However, you are a party to this contract and we make no requirement on this point except to suggest that you review the contract to determine if it covers the captioned lands.

IV. REQUIREMENTS:

1. Royalty Account. In order that you may be in a position to determine that this lease is still in force and effect, you should be furnished with a letter from USGS setting forth the status of the rental and royalty account, and we have written the Geological Survey for such a report.
2. Status of Title. We suspect that there are instruments and/or facts outside of the material examined which would change the ownership schedule in I.a) above. Although filing with and approval by the U. S. Land Office does not constitute constructive notice, we have prepared our leasehold ownership schedule upon the basis of instruments filed with the BLM and recorded in the County records.

In order that a search may be made of instruments and/or facts outside of the material examined to determine the correct leasehold ownership schedule, we hereinafter set forth the instruments giving rise to the title problem. By assignment dated December 12, 1962, approved by BLM March 1, 1963, recorded Book 54, Page 150, Mike Abraham acquired Federal record title and County record title to SF 080565-A. Subsequent assignments of record title and operating rights follow.

Operating Rights Assignments.

- a) Dated January 27, 1964, approved April 13, 1964, recorded Book 57, Page 355, from Mike Abraham conveying to J. R. Abraham the entire interest in operating rights, reserving 12-1/2% total overriding royalty, convertible into 1/2 working interest at payout of all costs and expenses incurred in the development and operation of all wells situated upon SF 080565-A and SF 080566-A.
- b) Dated April 19, 1966, approved June 6, 1966, recorded Book 64, Page 340 (in lieu of assignment dated March 21, 1966, recorded Book 64, Page 27), from J. R. Abraham et ux to Rock Creek Corporation, conveying 1/2 interest in all operating rights, subject to Mike Abraham's 12-1/2% total overriding royalty and letter agreement (not shown in the material examined) between Mike and J. R. Abraham dated January 29, 1964.
- c) Dated June 10, 1966, approved May 9, 1968, unrecorded in County records, from Rock Creek Corporation to Cenard Oil & Gas Company, conveying 1/2 interest in all operating rights, subject to the Mike Abraham to J. R. Abraham assignment dated January 27, 1964. In addition, this assignment reserved a \$225,000 production payment out of 95% of the production, and assigned such production payment to Quadrangle Foundation, Inc.
- d) Dated March 30, 1972, approved May 16, 1972, recorded Book 76, Page 268, from J. R. Abraham et ux to Jack Cayias, conveying 1/2 interest in operating rights below base of the Pictured Cliffs formation.
- e) Dated May 26, 1972, not filed with BLM, recorded Book 76, Page 443, from Cenard Oil & Gas Company to Jack Cayias, conveying all of Cenard's interest in the operating rights. Although the preamble recites that Cenard owned 1/2 of the operating rights below the base of the Pictured Cliffs formation, the record shows it owned 1/2 interest in operating rights without depth limitation.
- f) Dated August 5, 1976, approved March 28, 1977, recorded Book 83, Page 111, from Jack Cayias et ux to Minel, Inc., conveying all of Cayias's interest in the operating rights. Again, although the preamble recites that Cayias owned 1/2 of the operating rights below the base of the Pictured Cliffs formation, the record shows he owned 1/2 interest in operating rights to the base of the Pictured Cliffs formation and all operating rights below said depth.

Assignments of Record Title.

g) Dated March 16, 1966, approved May 1, 1966, recorded Book 64, Page 24, from Mike Abraham et ux and the trustee in bankruptcy (pursuant to Court order dated March 8, 1966, but not shown in the abstracts) to Rock Creek Corporation, conveying record title to lease as well as all interest in overriding royalty.

h) Dated June 10, 1966, approved August 1, 1966, unrecorded, from Rock Creek Corporation to Cenard Oil & Gas Company, conveying record title to lease, subject to production payment reserved in c) above.

i) Dated June 9, 1975, approved July 1, 1975, unrecorded, from Cenard Oil & Gas Company to Gulf Oil Corporation, conveying record title to the lease, subject only to the 3-1/2% overriding royalty and the production payment interest held by Quadrangle.

From the above instruments, it appears that Gulf holds bare record title to the lease and beneficial title is held as set forth in our ownership schedule. We have every reason to believe that this is not the intention of the parties. We do not know whether J. R. Abraham received payout of all costs of development and operation of wells on the lease so that the 12-1/2% overriding royalty has converted to a 1/2 working interest; and if so whether these conversion rights were intended to pass under the record title assignments, most made without warranty of any kind, from Abraham to Rock Creek to Cenard to Gulf. In view of the efforts of the United States to collect substantial royalties from producing wells on this lease, we suspect that payout may have occurred. The unrecorded letter dated January 29, 1964 between J. R. Abraham and Mike Abraham which supplements the operating agreement of January 27, 1964, may assist in solving the dilemma. None of the record title assignments to the lease have been recorded in the County records, and assignment of operating rights e) has not been filed with the BLM.

i) An inquiry should be made of the parties to determine whether or not payout has occurred under a) above. If payout has occurred, whether it was intended that the conversion rights passed through the record title assignments from Abraham to Rock Creek to Cenard to Gulf, or whether they passed from J. R. Abraham to Rock Creek to Cenard to Cayias.

ii) Furnish a copy of the letter dated January 29, 1964 between Mike and J. R. Abraham.

iii) Inquire of J. R. Abraham, Jack Cayias, Minel, Inc. and Gulf their understanding as to the ownership of this lease, and whether there are any unrecorded instruments which confirm such title.

iv) Record certified or acknowledged copies of assignments g), h) and i) in the County records. File for approval assignment e) with the U. S. Land Office.

v) Furnish a copy of the order of bankruptcy approving assignment g) above.

We reserve the right to make further requirements when we have been furnished with the results of this inquiry.

3. Mercantile National Bank, Trustee, Assignment to Mike Abraham. By assignment dated February 8, 1954, approved April 29, 1954, recorded Book 64, Page 322, Mercantile National Bank at Dallas, trustee of the M. J. Florance Trust, conveyed record title to this lease to Mike Abraham and reserved a 2-1/2% overriding royalty. The M. J. Florance Trust is not shown in the material examined. There is no presumption in New Mexico that a trustee has authority to convey oil and gas leases, execute division orders and receive the proceeds of production.

We should be furnished with a copy of the M. J. Florance Trust to determine if the above powers exist in the instrument.

4. Unreleased Mortgages.

a) There is shown at page 45 of the Federal abstract the first page of a mortgage from Gunsite Butte Uranium Corporation to M. J. Florance, Caswell Silver and Sundance Oil Company, covering a 47% of 87-1/2% interest in leases not shown on the abbreviated copy of this mortgage. We should be furnished with a complete copy of the mortgage, and if the same covers the captioned lands a release should be executed and recorded by the mortgagees.

b) By mortgage dated June 1, 1964, recorded Book 50, Page 239, J. R. Abraham mortgaged a 75% working interest in the captioned lease to H. M. Meredith. H. M. Meredith should execute and record a release of this mortgage.

c) By mortgage dated July 10, 1964, recorded Book 50, Page 464, Mike Abraham and wife mortgaged their interest in the captioned land to C. C. Win. A release of this mortgage should be executed and recorded.

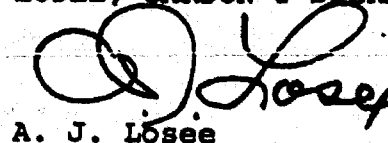
d) By mortgage dated June 10, 1966, recorded Book 59, Page 404, Quadrangle Foundation, Inc. mortgaged its production payment interest to The First National Bank of Chicago. If this production payment has been paid, the production payment and this mortgage should be released of record. Otherwise the interests of the production payment owner and the mortgagor should be shown on any division order.

5. J. R. Abraham ORI. We have credited J. R. Abraham each with a .025 ORI below the base of the Pictured Cliffs formation. This interest was created by assignment dated September 12, 1972, from Jack Cayias, whose marital status was not shown. Jack Cayias and Ossie L. Cayias, his wife, should join in an instrument ratifying and confirming the above assignment to J. R. Abraham.

When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the captioned lease and lands, on the date to which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.



A. J. Losee

AJL:jcb

October 25, 1979

Gulf Oil Corporation
P.O. Box 1150
Midland, TX 79701

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

JIM MONTGOMERY
PO Box 670
HOBBS N. MEX 88240

505-393-4121

RE: Mesaverde Test Well
E/2 Section 8, T-25-N, R-3W
Rio Arriba County, New Mexico

Gentlemen:

Supron Energy Corporation proposes the formation of a unit comprised of the E/2 of Section 8, Township 25 North, Range 3 East, Rio Arriba County, New Mexico, for the drilling of an approximate 6,350' Mesaverde Test Well at a legal location in SE $\frac{1}{4}$. We estimate the cost to be \$150,000.00 for a dry hole and \$250,000.00 for a producer. Our records indicate that Gulf and Cayias each own an undivided 50% interest below the base of the Pictured Cliffs formation in and to NE $\frac{1}{4}$ of Section 8.

Provided you are agreeable to participating in the Mesaverde Test Well, kindly indicate your acceptance in the space provided and return one (1) copy to the attention of the undersigned. As an alternative, Supron would be willing to farm your interest on mutual agreeable terms.

In the event you elect to participate, your early reply would be most appreciated in order that we may begin preparation of a Communitization and Operating Agreement covering same. In the meantime, should you have any questions, please feel free to contact the undersigned or Mr. Jerry Lee of our Drilling and Production Department.

Sincerely,

Gaby Bjerke
Area Landman

GB:ap

AGREED TO AND ACCEPTED
this _____ day of _____, 1979.

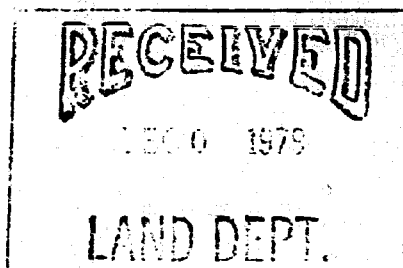
BY: _____

See Supron

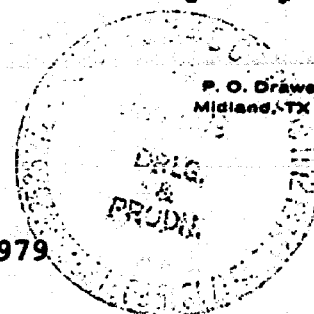
Exhibit #1

915 637 1301
Gulf Oil Exploration and Production Company

R. E. Griffith
MANAGER LAND, SOUTHWEST DISTRICT



November 27, 1979



Re: Mesaverde Test Well
E/2 Section 8, T-25-N,
R-3-W, RIO ARriba COUNTY,
New Mexico

Supron Energy Corporation
10300 North Central Expressway
Dallas, Texas 75231

Mr. Blackham

Gentlemen:

With reference to your letter of October 25, 1979, please be advised that Gulf has carefully reviewed your request and is not interested at the present time.

We do wish to thank you for the opportunity to consider your proposal.

Yours very truly,

R. E. Griffith

R. E. GRIFFITH

CTB/dh

*NE's attorney committed to a 70
well drilling now
12-5-79*



A DIVISION OF GULF OIL CORPORATION

January 4, 1980

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

RE: Masaverde Test Well
E $\frac{1}{2}$ Sec. 8, T-25-N, R-3-W
Rio Arriba County
NEW MEXICO

Dear Mr. Cayias:

Confirming our phone conversation of today, you expressed that you were not interested in either participating or farming out in the proposed Test Well on the above acreage if price of gas sold was less than approximately \$3.00 per MCF.

Supron's acreage in SE $\frac{1}{4}$ of Section 8 is dedicated to the Gas Company of New Mexico under contract dated May 1, 1972. However, your interest under NE $\frac{1}{4}$ of Section 8 is not. The Joint Operating Agreement provides that a non-operator may take his share of production in kind, and therefore you could sell to a third party at any price you can get.

Therefore, we wish you would reconsider our proposal of October 25, 1979. If you need further information, please advise.

Yours very truly,

Gaby Bjerke
Landman

G3:ap

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 438
ARTESIA, NEW MEXICO 88210

AREA CODE 505
710 5500

28 March 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 079609, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4859

Section 8: SE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3" Well.

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

In connection with the title to the oil and gas lease covering the
lands described in the caption hereof, we have examined the fol-
lowing:

1. Abstract of Title No. 31782 compiled by Federal Abstract
Company, Santa Fe, New Mexico, containing 164 pages and
tracing title to the captioned lease and lands from the
Plat Book Records, Historical Index Records, Serial Record
and Case File in the United States Land Office, Santa Fe,
New Mexico, to October 1, 1979 at 10:00 A.M.
2. Abstract of Title No. 10408 compiled by Espanola Abstract
Company, Inc., Espanola, New Mexico, containing 89 pages and
tracing title to the mineral estate only from the records in
the Offices of the County Clerk and Clerk of the District
Court of Rio Arriba County, New Mexico, from the inception
of the records to February 14, 1980 at 9:00 A.M.

From our examination of the foregoing, we report as follows:

I. TITLE:

1. Minerals. United States All

2. Oil and Gas Leasehold Estate.

United States125 RI
Thomas J. McCroden, Trustee of the
Clara B. McCroden Trust dated
July 29, 1975025 ORI
*Paul S. Albright, whose wife is Laura
Z. Albright010 ORI
Supron Energy Corporation840 WI

Exhibit #2

*Until \$25.00 per acre shall have been recovered from the captioned lands and NE/4, S/2 Section 9, Township 25 North, Range 3 West, whereupon this ORI shall reduce to .005 and the WI shall proportionately increase.

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date: September 1, 1948

Serial No.: SF 079609

Lessor: United States

Original Lessee: N. G. McCroden

Present Lessee: Supron Energy Corporation

Lands Covered: Captioned lands and other lands totaling 800 acres, more or less

Primary Term: Five years, with right to extend for an additional five years

Rental: 50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years

Minimum Royalty: Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage

Royalty: 12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

The primary term of this lease was extended until August 31, 1958. Annual rentals are shown as paid through August 31, 1957. A USGS memorandum notes the completion on July 7, 1956 of the No. "1-A" McCroden in the NE/4 NE/4 of Section 9, on other lands in the lease. This lease is now considered in a producing status and its royalty account is maintained by the USGS.

III. COMMENTS:

1. Surface Patent. By Letters Patent 999374 dated March 30, 1927, the United States conveyed the captioned lands and other lands to Tom H. Smith, and reserved the coal and other minerals in the lands so entered and patented. The oil and gas lessee's rights are dominant to the surface patentee's rights, but you will be required to compensate the surface owner for damages caused by your operations thereon.

2. Right of Reassignment. By assignment dated November 17, 1953, approved January 4, 1954, N. G. McCroden and Clara B. McCroden, his wife, conveyed the SE/4 and other lands to Paul S. Albright. In this assignment the assignee agreed not to surrender the lease without tendering to assignor a reassignment at least 120 days prior to the time for the payment of the next annual rental or the expiration of the lease in the event it may be extended or renewed other than by drilling operations. There is no provision limiting the liability of assignee for breach of this reassignment provision. You should set up your records to comply with its terms.

IV. REQUIREMENTS:

1. Royalty Account. As noted above, this is a producing lease and the status of its royalty account is not shown in the abstracts, for the same is maintained by the USGS. We should be furnished with a letter from the USGS setting forth the status of the royalty account on this lease and we have written for such a report.

2. Assignments Not Recorded in the County. The following assignments, although filed with and approved by the U. S. Land Office, have not been recorded in the County records: dated November 17, 1953, approved January 4, 1954, from N. G. McCroden et ux to Paul S. Albright; and dated January 1, 1961, approved April 1, 1961, from Paul S. Albright et al to Southern Union Production Company.

The filing with and approval by the U. S. Land Office of an assignment of a federal oil and gas lease, does not constitute notice to the world and does not protect the assignees in any such assignment from the rights of third parties claiming under the assignor.

An executed and acknowledged copy, or a copy certified by the U. S. Land Office, of each of the above assignments should be recorded in the County records in order that you may have the benefit of the constructive notice provisions of our recording statutes.

3. N. G. McCroden Estate. N. G. McCroden, the original lessee, reserved the .025 ORI we have credited to the Clara B. McCroden Trust. By assignment dated August 7, 1975, Clara B. McCroden, ancillary executrix of the estate of Noble Gardner McCroden, conveyed this ORI to Clara B. McCroden, widow and only heir at law. The assignment recites that the McCroden estate was probated in Lea County, New Mexico, District Court Case No. 35462. Proceedings on this estate are not shown in the material examined. In the event production is obtained, we should be furnished with this complete court file to determine that the proceedings were regular and properly conducted, and that Clara B. McCroden was the sole heir of N. G. McCroden, whom we have assumed to be the same person as Noble Gardner McCroden.

When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the lease and lands described in the caption hereof, on the date to

Supron Energy Corporation

No. 4859

which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.



A. J. Losee

AJL:jcb

Abstracts returned herewith.

A.J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 23
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3503

10 April 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 080565-A, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4864

Section 8: NE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3".

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

In connection with the title to the oil and gas lease covering the
lands described in the caption hereof, we have examined the fol-
lowing:

1. Abstract of Title No. 31782 compiled by Federal Abstract Company, Santa Fe, New Mexico, containing 164 pages and tracing title to the captioned lease and lands from the Plat Book Records, Historical Index Records, Serial Record and Case File in the United States Land Office, Santa Fe, New Mexico, to October 1, 1979 at 10:00 A.M.
2. Abstract of Title No. 10408 compiled by Espanola Abstract Company, Inc., Espanola, New Mexico, containing 89 pages and tracing title to the mineral estate only from the records in the Offices of the County Clerk and Clerk of the District Court of Rio Arriba County, New Mexico, from the inception of the records to February 14, 1980 at 9:00 A.M.
3. Certified copy of Indenture of Conveyance dated June 10, 1966, in two parts, Part I being a conveyance of operating rights from Rock Creek Corporation to Cenard Oil & Gas Company, with the reservation of a production payment, and Part II being an assignment of the production payment from Rock Creek to Quadrangle Foundation, Inc.

From our examination of the foregoing, we report as follows:

I. TITLE:

1. Minerals. United States All
2. Oil and Gas Leasehold Estate.

ENCLOSURE #3

a) From surface to base of Pictured Cliffs formation.

United States . . . . .	.125 RI
Mercantile National Bank at Dallas, Trustee of the M. J. Florance Trust . . . . .	.025 ORI
Sam Dazzo . . . . .	.010 ORI
*&**Jack Cayias (1/2 of .84) . . . . .	.420 WI
*J. R. Abraham (1/2 of .84) . . . . .	.420 WI

b) Below base of Pictured Cliffs formation.

United States . . . . .	.125 RI
Mercantile National Bank at Dallas, Trustee of the M. J. Florance Trust . . . . .	.025 ORI
Sam Dazzo . . . . .	.010 ORI
Cenard Oil & Gas Company . . . . .	.040 ORI
Ossie L. Cayias . . . . .	.025 ORI
J. R. Abraham . . . . .	.025 ORI
*Minel, Inc. (1/2 of .75) . . . . .	.375 WI
*&**Jack Cayias (1/2 of .75) . . . . .	.375 WI

*These interests are either subject to a .09 net overriding royalty or 1/2 of such WI has vested in third parties (depending upon payout) created by assignment referred to in Requirement 2.a) below.

**95% of this interest is subject to \$225,000, exclusive of taxes, production payment held by Quadrangle Foundation, Inc. and mortgaged to First National Bank of Chicago. See Requirement 2.c) and 4.d) below.

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date:	September 1, 1951
Serial No.:	SF 080565-A, formerly SF 080565
Lessor:	United States
Original Lessee:	M. J. Florance
Present Lessee:	Gulf Oil Corporation
Lands Covered:	Captioned lands and other lands totaling 1,566.02 acres, more or less
Primary Term:	Five years, with right to extend for an additional five years
Rental:	50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years

Minimum Royalty: Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage

Royalty: 12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

Annual rentals in the amount of \$391.75 for the 1,566.02 acres, are shown as paid to September 1, 1956. A USGS accounting advice notes the completion of a producing well on the lease on October 30, 1955. The location of this well is not shown in the material examined. By partial assignment dated December 12, 1962 the captioned lands and other lands totaling 1,015.18 acres, were segregated from the base lease and given Serial No. SF 080565-A. This partial assignment extended the term of the segregated lease until February 28, 1965. By accounting advice dated June 12, 1963 the USGS confirmed that segregated lease SF 080565-A was in a producing status. The royalty account on this lease is maintained by the USGS and its status is not shown in the materials examined.

III. COMMENTS:

1. Surface Patent. By Letters Patent 949348 dated December 6, 1924, the United States conveyed the captioned lands and other lands to Frank W. Vogel, and reserved the coal and other minerals in the lands so entered and patented. The oil and gas lessee's rights are dominant to the surface patentee's rights, but you will be required to compensate the surface owner for damages caused by your operations thereon.
2. Natural Gas Purchase Contract. The County abstracter notes the recording in Book 48, Page 117 of Natural Gas Purchase Contract between Southern Union Production Company and Southern Union Gas Company, dated April 12, 1961. This contract is omitted from the abstract. The County abstract covers the entire E/2 of Section 8, and it may be that the captioned lands are not covered by this contract. However, you are a party to this contract and we make no requirement on this point except to suggest that you review the contract to determine if it covers the captioned lands.

IV. REQUIREMENTS:

1. Royalty Account. In order that you may be in a position to determine that this lease is still in force and effect, you should be furnished with a letter from USGS setting forth the status of the rental and royalty account, and we have written the Geological Survey for such a report.
2. Status of Title. We suspect that there are instruments and/or facts outside of the material examined which would change the ownership schedule in I.a) above. Although filing with and approval by the U. S. Land Office does not constitute constructive notice, we have prepared our leasehold ownership schedule upon the basis of instruments filed with the BLM and recorded in the County records.

In order that a search may be made of instruments and/or facts outside of the material examined to determine the correct leasehold ownership schedule, we hereinafter set forth the instruments giving rise to the title problem. By assignment dated December 12, 1962, approved by BLM March 1, 1963, recorded Book 54, Page 150, Mike Abraham acquired Federal record title and County record title to SF 080565-A. Subsequent assignments of record title and operating rights follow.

Operating Rights Assignments.

- a) Dated January 27, 1964, approved April 13, 1964, recorded Book 57, Page 355, from Mike Abraham conveying to J. R. Abraham the entire interest in operating rights, reserving 12-1/2% total overriding royalty, convertible into 1/2 working interest at payout of all costs and expenses incurred in the development and operation of all wells situated upon SF 080565-A and SF 080566-A.
- b) Dated April 19, 1966, approved June 6, 1966, recorded Book 64, Page 340 (in lieu of assignment dated March 21, 1966, recorded Book 64, Page 27), from J. R. Abraham et ux to Rock Creek Corporation, conveying 1/2 interest in all operating rights, subject to Mike Abraham's 12-1/2% total overriding royalty and letter agreement (not shown in the material examined) between Mike and J. R. Abraham dated January 29, 1964.
- c) Dated June 10, 1966, approved May 9, 1968, unrecorded in County records, from Rock Creek Corporation to Cenard Oil & Gas Company, conveying 1/2 interest in all operating rights, subject to the Mike Abraham to J. R. Abraham assignment dated January 27, 1964. In addition, this assignment reserved a \$225,000 production payment out of 95% of the production, and assigned such production payment to Quadrangle Foundation, Inc.
- d) Dated March 30, 1972, approved May 16, 1972, recorded Book 76, Page 268, from J. R. Abraham et ux to Jack Cayias, conveying 1/2 interest in operating rights below base of the Pictured Cliffs formation.
- e) Dated May 26, 1972, not filed with BLM, recorded Book 76, Page 443, from Cenard Oil & Gas Company to Jack Cayias, conveying all of Cenard's interest in the operating rights. Although the preamble recites that Cenard owned 1/2 of the operating rights below the base of the Pictured Cliffs formation, the record shows it owned 1/2 interest in operating rights without depth limitation.
- f) Dated August 5, 1976, approved March 28, 1977, recorded Book 83, Page 111, from Jack Cayias et ux to Minel, Inc., conveying all of Cayias's interest in the operating rights. Again, although the preamble recites that Cayias owned 1/2 of the operating rights below the base of the Pictured Cliffs formation, the record shows he owned 1/2 interest in operating rights to the base of the Pictured Cliffs formation and all operating rights below said depth.

Assignments of Record Title.

g) Dated March 16, 1966, approved May 1, 1966, recorded Book 64, Page 24, from Mike Abraham et ux and the trustee in bankruptcy (pursuant to Court order dated March 8, 1966, but not shown in the abstracts) to Rock Creek Corporation, conveying record title to lease as well as all interest in overriding royalty.

h) Dated June 10, 1966, approved August 1, 1966, unrecorded, from Rock Creek Corporation to Cenard Oil & Gas Company, conveying record title to lease, subject to production payment reserved in c) above.

i) Dated June 9, 1975, approved July 1, 1975, unrecorded, from Cenard Oil & Gas Company to Gulf Oil Corporation, conveying record title to the lease, subject only to the 3-1/2% overriding royalty and the production payment interest held by Quadrangle.

From the above instruments, it appears that Gulf holds bare record title to the lease and beneficial title is held as set forth in our ownership schedule. We have every reason to believe that this is not the intention of the parties. We do not know whether J. R. Abraham received payout of all costs of development and operation of wells on the lease so that the 12-1/2% overriding royalty has converted to a 1/2 working interest; and if so whether these conversion rights were intended to pass under the record title assignments, most made without warranty of any kind, from Abraham to Rock Creek to Cenard to Gulf. In view of the efforts of the United States to collect substantial royalties from producing wells on this lease, we suspect that payout may have occurred. The unrecorded letter dated January 29, 1964 between J. R. Abraham and Mike Abraham which supplements the operating agreement of January 27, 1964, may assist in solving the dilemma. None of the record title assignments to the lease have been recorded in the County records, and assignment of operating rights e) has not been filed with the BLM.

i) An inquiry should be made of the parties to determine whether or not payout has occurred under a) above. If payout has occurred, whether it was intended that the conversion rights passed through the record title assignments from Abraham to Rock Creek to Cenard to Gulf, or whether they passed from J. R. Abraham to Rock Creek to Cenard to Cayias.

ii) Furnish a copy of the letter dated January 29, 1964 between Mike and J. R. Abraham.

iii) Inquire of J. R. Abraham, Jack Cayias, Minel, Inc. and Gulf their understanding as to the ownership of this lease, and whether there are any unrecorded instruments which confirm such title.

iv) Record certified or acknowledged copies of assignments g), h) and i) in the County records. File for approval assignment e) with the U. S. Land Office.

v) Furnish a copy of the order of bankruptcy approving assignment g) above.

We reserve the right to make further requirements when we have been furnished with the results of this inquiry.

3. Mercantile National Bank, Trustee, Assignment to Mike Abraham. By assignment dated February 8, 1954, approved April 29, 1954, recorded Book 64, Page 322, Mercantile National Bank at Dallas, trustee of the M. J. Florance Trust, conveyed record title to this lease to Mike Abraham and reserved a 2-1/2% overriding royalty. The M. J. Florance Trust is not shown in the material examined. There is no presumption in New Mexico that a trustee has authority to convey oil and gas leases, execute division orders and receive the proceeds of production.

We should be furnished with a copy of the M. J. Florance Trust to determine if the above powers exist in the instrument.

4. Unreleased Mortgages.

a) There is shown at page 45 of the Federal abstract the first page of a mortgage from Gunsite Butte Uranium Corporation to M. J. Florance, Caswell Silver and Sundance Oil Company, covering a 47% of 87-1/2% interest in leases not shown on the abbreviated copy of this mortgage. We should be furnished with a complete copy of the mortgage, and if the same covers the captioned lands a release should be executed and recorded by the mortgagees.

b) By mortgage dated June 1, 1964, recorded Book 50, Page 239, J. R. Abraham mortgaged a 75% working interest in the captioned lease to H. M. Meredith. H. M. Meredith should execute and record a release of this mortgage.

c) By mortgage dated July 10, 1964, recorded Book 50, Page 464, Mike Abraham and wife mortgaged their interest in the captioned land to C. C. Win. A release of this mortgage should be executed and recorded.

d) By mortgage dated June 10, 1966, recorded Book 59, Page 404, Quadrangle Foundation, Inc. mortgaged its production payment interest to The First National Bank of Chicago. If this production payment has been paid, the production payment and this mortgage should be released of record. Otherwise the interests of the production payment owner and the mortgagor should be shown on any division order.

5. J. R. Abraham ORI. We have credited J. R. Abraham each with a .025 ORI below the base of the Pictured Cliffs formation. This interest was created by assignment dated September 12, 1972, from Jack Cayias, whose marital status was not shown. Jack Cayias and Ossie L. Cayias, his wife, should join in an instrument ratifying and confirming the above assignment to J. R. Abraham.

When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the captioned lease and lands, on the date to which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

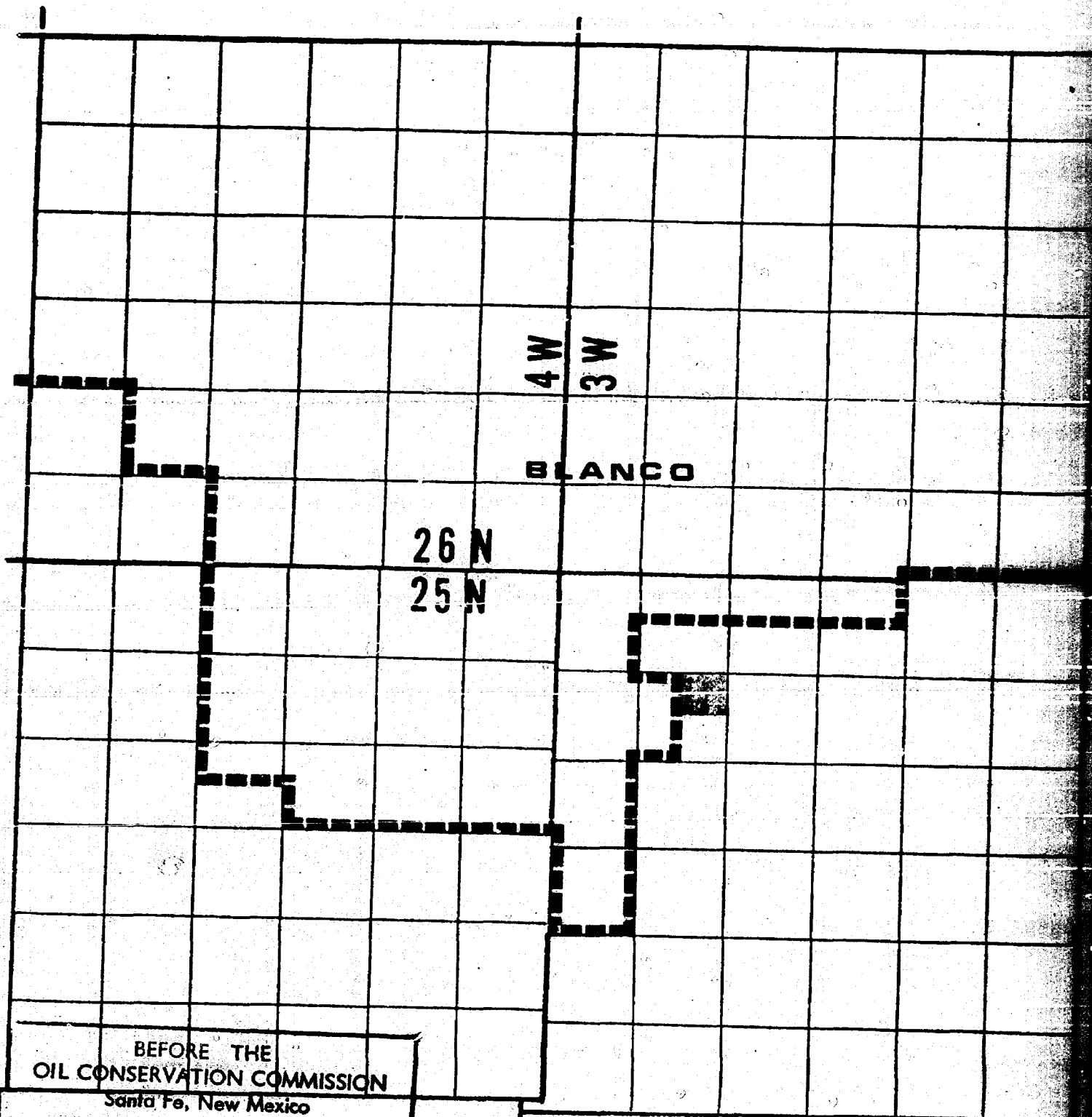
Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.



A. J. Losee

BLANCO MESAVERDE POOL



BEFORE THE
OIL CONSERVATION COMMISSION

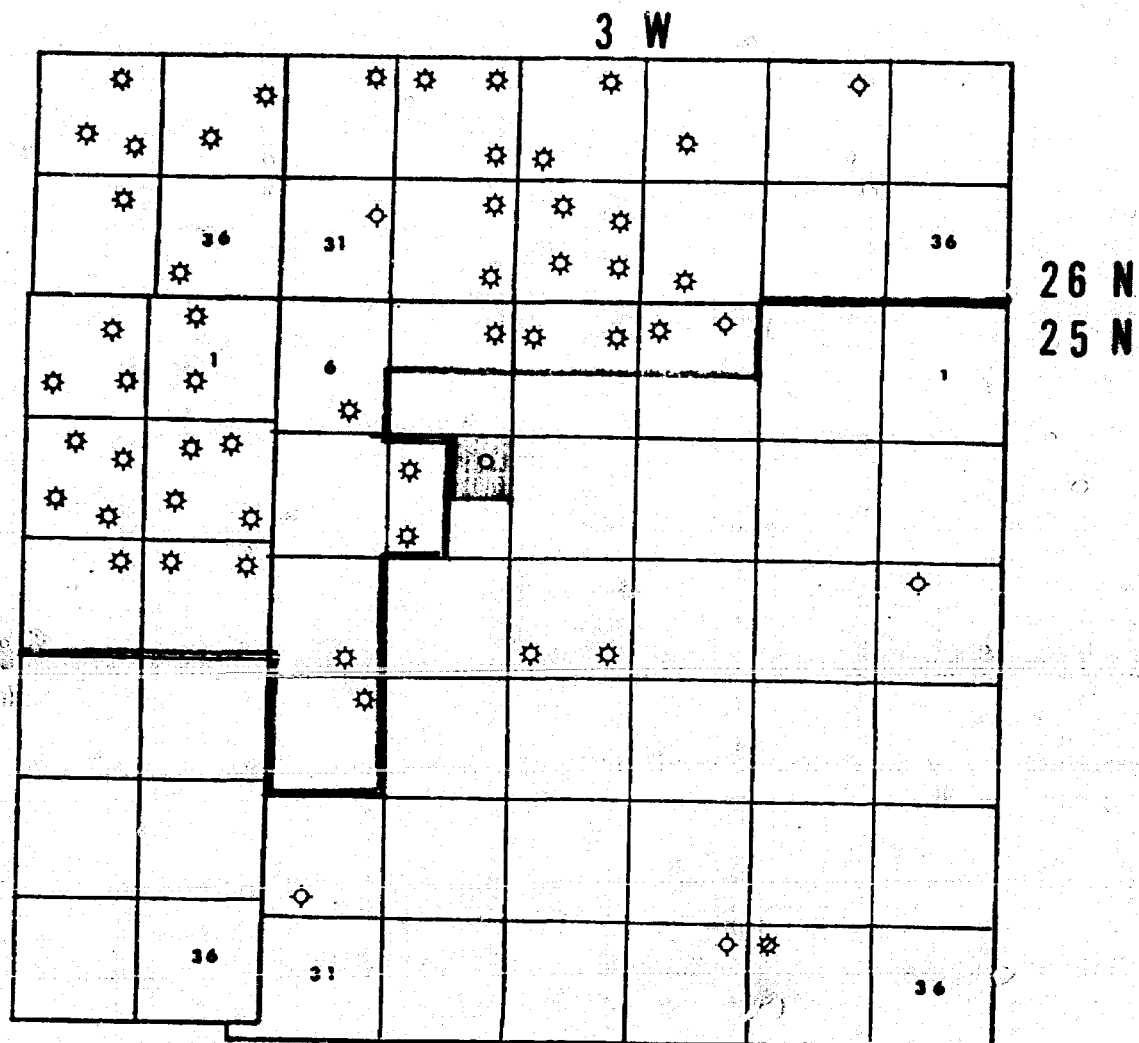
Santa Fe, New Mexico

Case No. 6896 Exhibit No. 1

Submitted by Schalk

Hearing Date _____

MESAVERDE PENETRATION MAP



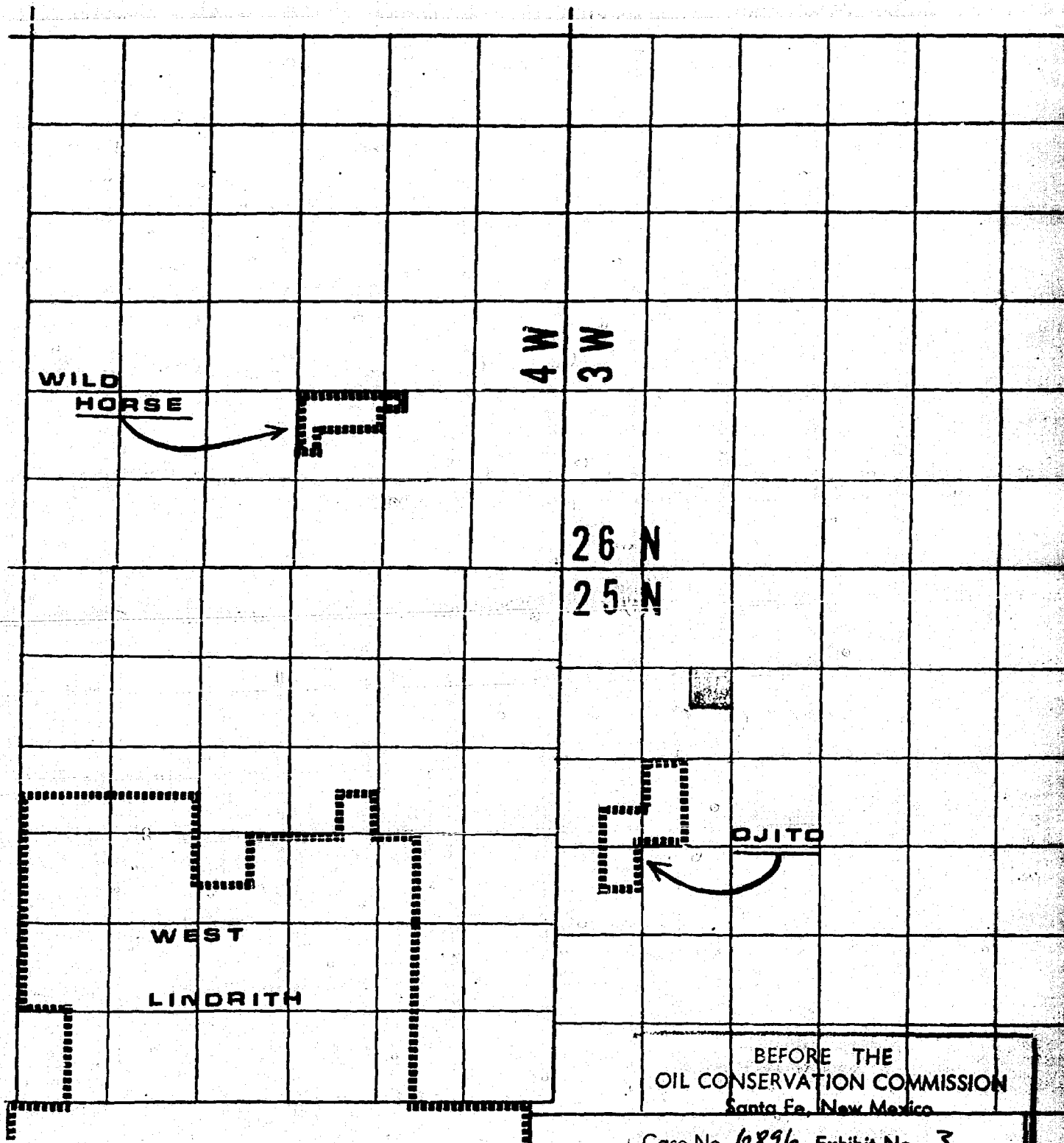
BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 6896 Exhibit No. 2

Submitted by Schalk

Hearing Date _____

DAKOTA OIL POOLS



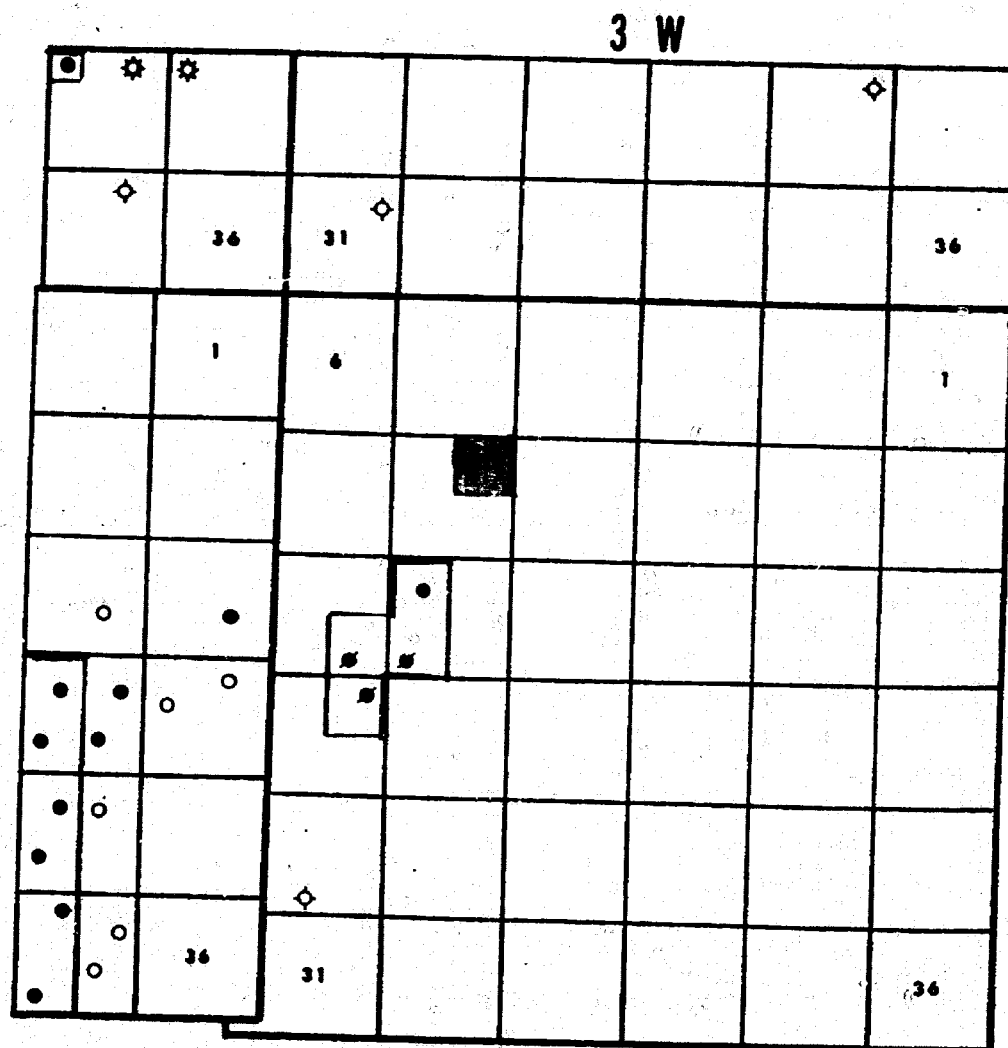
BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 6896 Exhibit No. 3

Submitted by Schick

Hearing Date _____

DAKOTA PENETRATION MAP



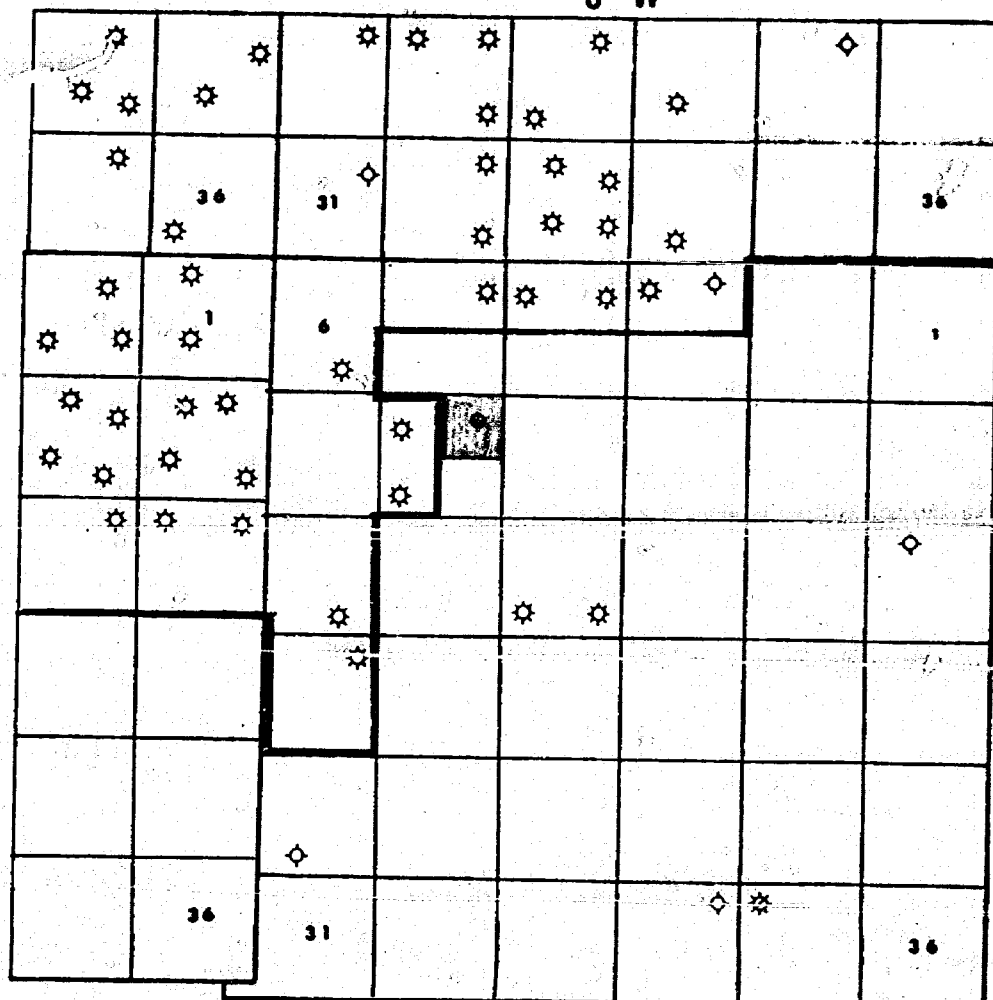
26 N
25 N

MV (single) \$350,000
Drill to Dakota \$150-175,000
additional

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6896 Exhibit No. 4
Submitted by Schalk
Hearing Date _____

MESAVERDE PENETRATION MAP

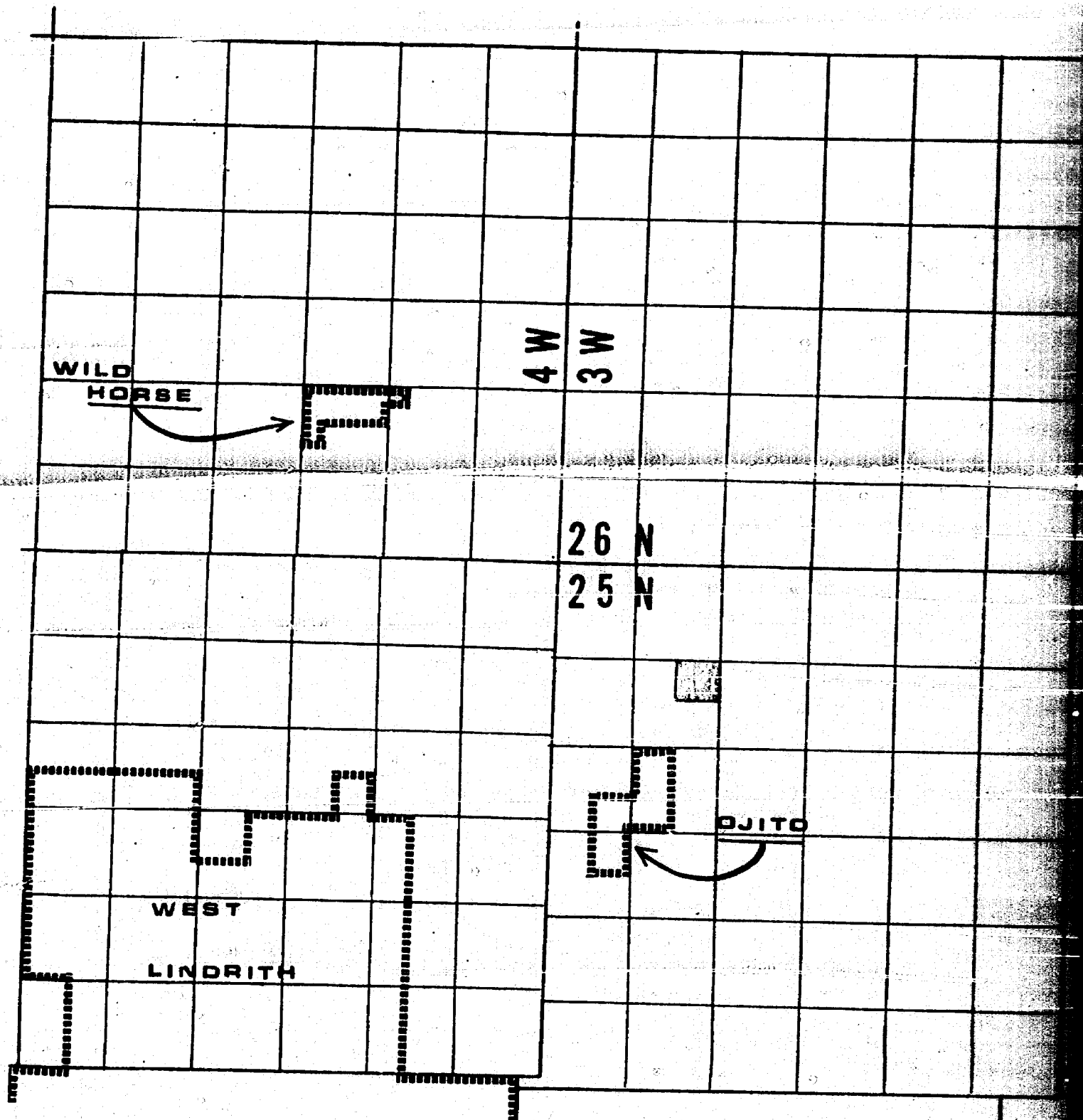
3 W



26 N
25 N

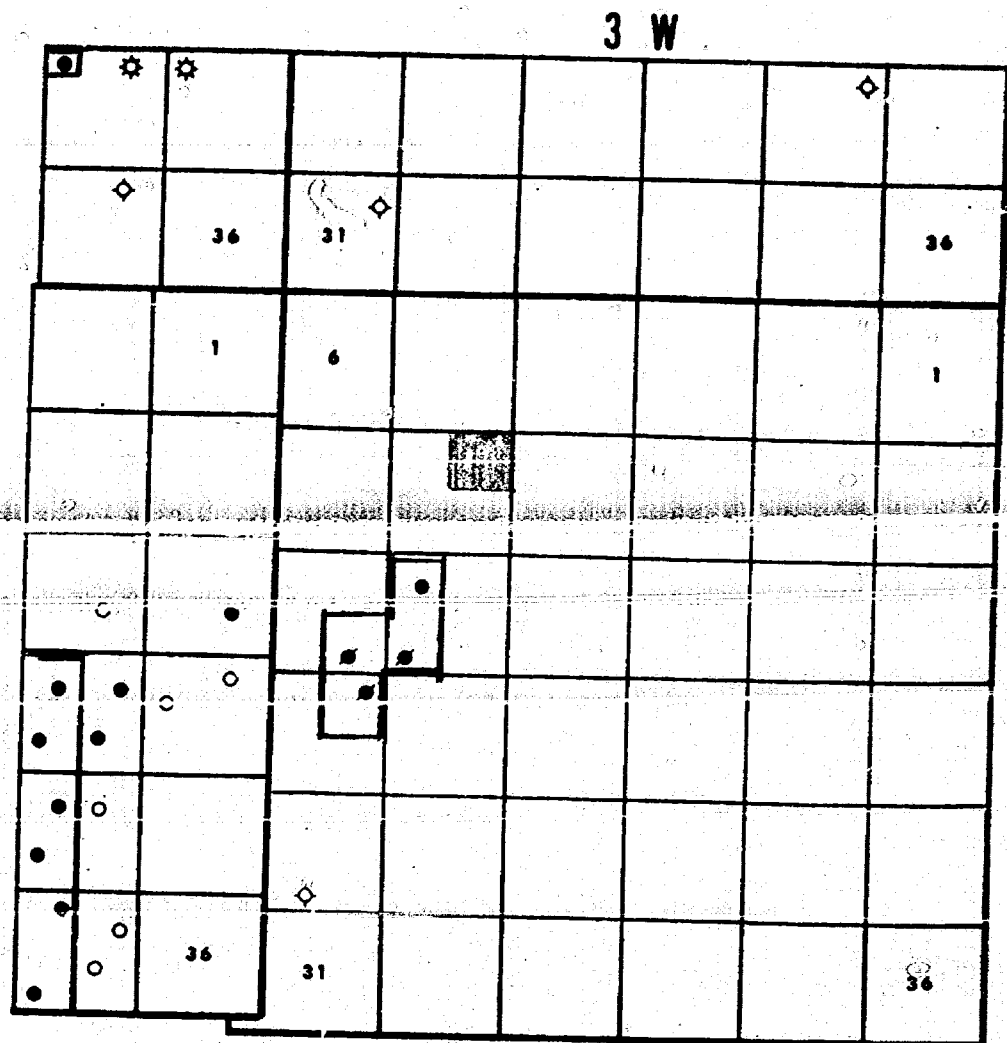
2
Case 6896

DAKOTA OIL POOLS



Case 16826

DAKOTA PENETRATION MAP



4
Cage 6896

DOCKET: COMMISSION HEARING - MONDAY - JANUARY 19, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases are continued from the December 11, 1980, Commission Hearing:

CASE 7025: (DE NOVO)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 35, Township 18 South, Range 29 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.

Upon application of Southland Royalty Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7008: (DE NOVO)

Application of Coronado Exploration Corp. for eight compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying eight 40-acre proration units, being the NE/4 NE/4 of Section 4 and the NW/4 NE/4 of Section 5, both in Township 12 South, Range 28 East, and the NW/4 SE/4 of Section 6, the NE/4 NW/4 of Section 23, the NE/4 SE/4 of Section 28, the SE/4 SE/4 of Section 29, the NE/4 NW/4 of Section 32, and the SE/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

Upon application of Tenneco Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6965: (DE NOVO)

Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6896: (DE NOVO)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6996: Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 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.

DISMISS

DOCKET: COMMISSION HEARING - MONDAY - JANUARY 19, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases are continued from the December 11, 1980, Commission Hearing:

CASE 7025: (DE NOVO)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 35, Township 18 South, Range 29 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.

Upon application of Southland Royalty Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7008: (DE NOVO)

Application of Coronado Exploration Corp. for eight compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying eight 40-acre proration units, being the NE/4 NE/4 of Section 4 and the NW/4 NE/4 of Section 5, both in Township 12 South, Range 28 East, and the NW/4 SE/4 of Section 6, the NE/4 NW/4 of Section 23, the NE/4 SE/4 of Section 28, the SE/4 SE/4 of Section 29, the NE/4 NW/4 of Section 32, and the SE/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

Upon application of Tenneco Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6965: (DE NOVO)

Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6896: (DE NOVO)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6996:

Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 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.

DOCKET: COMMISSION HEARING - MONDAY - JANUARY 19, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases are continued from the December 11, 1980, Commission Hearing:

CASE 7025: (DE NOVO)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 35, Township 18 South, Range 29 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.

Upon application of Southland Royalty Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7008: (DE NOVO)

Application of Coronado Exploration Corp. for eight compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying eight 40-acre proration units, being the NE/4 NE/4 of Section 4 and the NW/4 NE/4 of Section 5, both in Township 12 South, Range 28 East, and the NW/4 SE/4 of Section 6, the NE/4 NW/4 of Section 23, the NE/4 SE/4 of Section 28, the SE/4 SE/4 of Section 29, the NE/4 NW/4 of Section 32, and the SE/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

Upon application of Tenneco Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6965: (DE NOVO)

Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6896: (DE NOVO)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6996: Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 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.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 11, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7025: (DE NOVO)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 35, Township 18 South, Range 29 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.

Upon application of Southland Royalty Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7008: (DE NOVO)

Application of Coronado Exploration Corp. for eight compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying eight 40-acre proration units, being the NE/4 NE/4 of Section 4 and the NW/4 NE/4 of Section 5, both in Township 12 South, Range 28 E, and the NW/4 SE/4 of Section 6, the NE/4 NW/4 of Section 23, the NE/4 SE/4 of Section 28, the SE/4 SE/4 of Section 29, the NE/4 NW/4 of Section 32, and the SE/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

Upon application of Tenneco Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6965: (DE NOVO)

Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6896: (DE NOVO)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

Upon application of Curtis J. Little and Beartooth Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6996: (Continued from November 25, 1980, Examiner Hearing)

Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 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.

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

RECEIVED
NOV 17 1980
OIL CONSERVATION DIVISION
SANTA FE

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARriba
COUNTY, NEW MEXICO.

CASE NO. 6965

APPLICATION FOR HEARING DE NOVO

Come now Curtis J. Little and Beartooth Oil and Gas Company,
by their attorneys, Jasper & Buell, and applies to the Oil
Conservation Commission for a hearing de novo in this case and,
as grounds therefor, state:

1. On July 9, 1980, a hearing was held before Examiner
Daniel S. Nutter on the application of Supron Energy Corporation
for a non-standard Gas Proration Unit, Rio Arriba County, New
Mexico, said application being Case No. 6965, a copy of which is
attached as Exhibit A.

2. As a result of the hearing on July 9, 1980, an
Order, R-6497, was issued by the Oil Conservation Division on
October 21, 1980, granting the application. A copy of the Order
is attached as Exhibit B.

3. Applicant, Curtis J. Little, appeared at the
hearing on July 9, 1980, and testified in opposition to the
application. Curtis J. Little is a party adversely affected by
the decision pursuant to § 70-2-13 (NMSA 1978). Beartooth Oil
and Gas Company is a successor in interest to Curtis J. Little.

WHEREFORE, applicants ask that this application be heard
de novo before the Oil Conservation Commission.

JASPER & BUELL

By Sumner G. Buell
Sumner G. Buell
Attorneys for Applicants
Post Office Box 1626
Santa Fe, New Mexico 87501

CERTIFICATE OF MAILING

I hereby certify that on this 17th day of November, 1980,
I caused a true and correct copy of the above and foregoing
Application for Hearing de Novo to be mailed to the attorney for
Supron Energy Corporation, William F. Carr, Post Office Box 2208,
Santa Fe, New Mexico 87501.

Sumner Buell
Sumner Buell

RECEIVED

JUN 24 1960

BEFORE THE

OIL CONSERVATION DIVISION
SANTA FE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF SUPRON ENERGY CORPORA-
TION FOR A NON-STANDARD PRORATION
UNIT, RIO ARriba COUNTY, NEW MEXICO.

CASE 6965

APPLICATION

Comes now SUPRON ENERGY CORPORATION, by its undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of a 160 acre non-standard gas proration unit, Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, and in support of its application states:

1. Applicant is the operator of the SE/4 of Section 8, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of said Section 8.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the SE/4 of said Section 8.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as required by law, the Division enter its Order approving the application.

EXHIBIT "A"

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

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. 6965
Order No. R-6497

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of October, 1980, 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, Supron Energy Corporation, is the owner of all working interest rights in the Mesaverde formation underlying the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, and proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising said lands to be dedicated to a well it proposes to drill at a standard location thereon.

(3) That the applicant in Case No. 6896, John E. Schalk, proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the NE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to be dedicated to a well he proposes to drill at a standard location thereon.

EXHIBIT " B "

(4) That by Order No. R-1670-T, dated November 14, 1974, the Division authorized the drilling of a second well on each 320-acre Blanco Mesaverde proration unit, thereby creating in effect a 160-acre spacing pattern for said pool.

(5) That the W/2 of Section 8 comprises a 320-acre Blanco Mesaverde gas proration unit, and has dedicated thereto two wells, one in the NW/4 of the section and the other in the SW/4 of the section.

(6) That approval of the subject application, together with the application in Case No. 6896, to form two 160-acre non-standard units in the E/2 of Section 8 would authorize the full development of the E/2 of Section 8 by the drilling of two wells thereon, and would save the administrative overhead and legal expense which would be required by the communitization of the NE/4 and SE/4 of the section to form a single 320-acre unit to be dedicated to two wells.

(7) That approval of the application in this case will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Supron Energy Corporation, is hereby granted approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

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

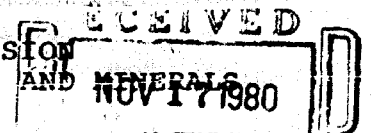
DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L
fd/

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



OIL CONSERVATION DIVISION
SANTA FE

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

CASE NO. 6965

APPLICATION FOR HEARING DE NOVO

Come now Curtis J. Little and Beartooth Oil and Gas Company,
by their attorneys, Jasper & Buell, and applies to the Oil
Conservation Commission for a hearing de novo in this case and,
as grounds therefor, state:

1. On July 9, 1980, a hearing was held before Examiner
Daniel S. Nutter on the application of Supron Energy Corporation
for a non-standard Gas Proration Unit, Rio Arriba County, New
Mexico, said application being Case No. 6965, a copy of which is
attached as Exhibit A.

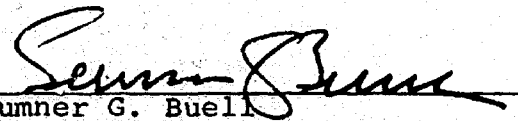
2. As a result of the hearing on July 9, 1980, an
Order, R-6497, was issued by the Oil Conservation Division on
October 21, 1980, granting the application. A copy of the Order
is attached as Exhibit B.

3. Applicant, Curtis J. Little, appeared at the
hearing on July 9, 1980, and testified in opposition to the
application. Curtis J. Little is a party adversely affected by
the decision pursuant to § 70-2-13 (NMSA 1978). Beartooth Oil
and Gas Company is a successor in interest to Curtis J. Little.

WHEREFORE, applicants ask that this application be heard
de novo before the Oil Conservation Commission.

JASPER & BUELL

By



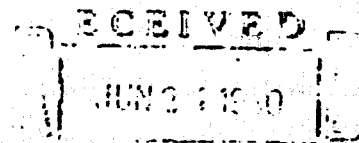
Sumner G. Buell
Attorneys for Applicants
Post Office Box 1626
Santa Fe, New Mexico 87501

CERTIFICATE OF MAILING

I hereby certify that on this 17th day of November, 1980,

I caused a true and correct copy of the above and foregoing
Application for Hearing de Novo to be mailed to the attorney for
Supron Energy Corporation, William F. Carr, Post Office Box 2208,
Santa Fe, New Mexico 87501.


Sumner G. Buell



BEFORE THE

OIL CONSERVATION DIVISION

SANTA FE

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF SUPRON ENERGY CORPORATION FOR A NON-STANDARD PRORATION UNIT, RIO ARriba COUNTY, NEW MEXICO.

CASE 6965

APPLICATION

Comes now SUPRON ENERGY CORPORATION, by its undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of a 160 acre non-standard gas proration unit, Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, and in support of its application states:

1. Applicant is the operator of the SE/4 of Section 8, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of said Section 8.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the SE/4 of said Section 8.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as required by law, the Division enter its Order approving the application.

EXHIBIT "A"

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

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. 6965
Order No. R-6497

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARriba
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of October, 1980, 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, Supron Energy Corporation, is the
owner of all working interest rights in the Mesaverde formation
underlying the SE/4 of Section 8, Township 25 North, Range 3
West, NMPM, Rio Arriba County, New Mexico, and proposes the
establishment of a 160-acre non-standard gas proration unit in
the Blanco Mesaverde Pool comprising said lands to be dedicated
to a well it proposes to drill at a standard location thereon.

(3) That the applicant in Case No. 6896, John E. Schalk,
proposes the establishment of a 160-acre non-standard gas pro-
ration unit in the Blanco Mesaverde Pool comprising the NE/4 of
Section 8, Township 25 North, Range 3 West, NMPM, Rio Arriba
County, New Mexico, to be dedicated to a well he proposes to
drill at a standard location thereon.

E X H I B I T " B "

-2-
Case No. 6965
Order No. R-6497

(4) That by Order No. R-1670-T, dated November 14, 1974, the Division authorized the drilling of a second well on each 320-acre Blanco Mesaverde proration unit, thereby creating in effect a 160-acre spacing pattern for said pool.

(5) That the W/2 of Section 8 comprises a 320-acre Blanco Mesaverde gas proration unit, and has dedicated thereto two wells, one in the NW/4 of the section and the other in the SW/4 of the section.

(6) That approval of the subject application, together with the application in Case No. 6896, to form two 160-acre non-standard units in the E/2 of Section 8 would authorize the full development of the E/2 of Section 8 by the drilling of two wells thereon, and would save the administrative overhead and legal expense which would be required by the communitization of the NE/4 and SE/4 of the section to form a single 320-acre unit to be dedicated to two wells.

(7) That approval of the application in this case will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Supron Energy Corporation, is hereby granted approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

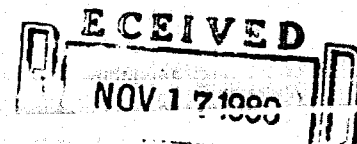
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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
fd/



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

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

CASE NO. 6965

APPLICATION FOR HEARING DE NOVO

Come now Curtis J. Little and Beartooth Oil and Gas Company,
by their attorneys, Jasper & Buell, and applies to the Oil
Conservation Commission for a hearing de novo in this case and,
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1. On July 9, 1980, a hearing was held before Examiner
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2. As a result of the hearing on July 9, 1980, an
Order, R-6497, was issued by the Oil Conservation Division on
October 21, 1980, granting the application. A copy of the Order
is attached as Exhibit B.

3. Applicant, Curtis J. Little, appeared at the
hearing on July 9, 1980, and testified in opposition to the
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and Gas Company is a successor in interest to Curtis J. Little.

WHEREFORE, applicants ask that this application be heard
de novo before the Oil Conservation Commission.

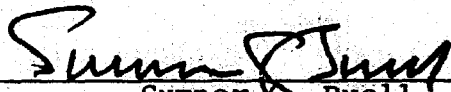
JASPER & BUELL

By Sumner G. Buell
Sumner G. Buell
Attorneys for Applicants
Post Office Box 1626
Santa Fe, New Mexico 87501

CERTIFICATE OF MAILING

I hereby certify that on this 17th day of November, 1980,

I caused a true and correct copy of the above and foregoing
Application for Hearing de Novo to be mailed to the attorney for
Supron Energy Corporation, William F. Carr, Post Office Box 2208,
Santa Fe, New Mexico 87501.


Sumner G. Buell

RECEIVED
JUNE 11 1960

BEFORE THE
OIL CONSERVATION DIVISION
SANTA FE

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF SUPRON ENERGY CORPORATION FOR A NON-STANDARD PRORATION UNIT, RIO ARriba COUNTY, NEW MEXICO.

CASE 6965

APPLICATION

Comes now SUPRON ENERGY CORPORATION, by its undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of a 160 acre non-standard gas proration unit, Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, and in support of its application states:

1. Applicant is the operator of the SE/4 of Section 8, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of said Section 8.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the SE/4 of said Section 8.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as required by law, the Division enter its Order approving the application.

EXHIBIT "A"

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

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. 6965
Order No. R-6497

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of October, 1980, 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, Supron Energy Corporation, is the owner of all working interest rights in the Mesaverde formation underlying the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, and proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising said lands to be dedicated to a well it proposes to drill at a standard location thereon.

(3) That the applicant in Case No. 6896, John E. Schalk, proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the NE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to be dedicated to a well he proposes to drill at a standard location thereon.

E X H I B I T " B "

-2-
Case No. 6965
Order No. R-6497

(4) That by Order No. R-1670-T, dated November 14, 1974, the Division authorized the drilling of a second well on each 320-acre Blanco Mesaverde proration unit, thereby creating in effect a 160-acre spacing pattern for said pool.

(5) That the W/2 of Section 8 comprises a 320-acre Blanco Mesaverde gas proration unit, and has dedicated thereto two wells, one in the NW/4 of the section and the other in the SW/4 of the section.

(6) That approval of the subject application, together with the application in Case No. 6896, to form two 160-acre non-standard units in the E/2 of Section 8 would authorize the full development of the E/2 of Section 8 by the drilling of two wells thereon, and would save the administrative overhead and legal expense which would be required by the communitization of the NE/4 and SE/4 of the section to form a single 320-acre unit to be dedicated to two wells.

(7) That approval of the application in this case will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Supron Energy Corporation, is hereby granted approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

(2) 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
fd/

JASPER and BUELL

Attorneys

121 East Palace Avenue
Post Office Box 1626
Santa Fe, New Mexico 87501
505. 966-2641

John G. Jasper
Sumner G. Buell

HAND DELIVERED

December 9, 1980

Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87503

RE: Case 6965 Application of Supron Energy Corporation
Case 6896 Application of John E. Schalk
Case 6996 Application of John E. Schalk

Gentlemen:

As attorney for Curtis J. Little and Beartooth Oil and Gas Company we would ask that the above-mentioned three cases be continued to a later date. Our witness, Curtis J. Little is ill and it is my understanding that he will not be sufficiently recovered to attend the hearings previously scheduled for December 11.

Yours very truly,

Sumner G. Buell

SUMNER G. BUELL *by lp*

SGB:lp

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 6965 DE NOVO
Order No. R-6497-A

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD GAS PRORATION
UNIT, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 19,
1981, at Santa Fe, New Mexico, before the Oil Conservation
Commission of New Mexico, hereinafter referred to as the
"Commission."

NOW, on this 19th day of January, 1981, the Commission, a
quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully ad-
vised in the premises,

FINDS:

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

(2) That applicant, Supron Energy Corporation, seeks
an order for a non-standard gas proration unit in the Blanco Mesquite
Pool comprising the SE 1/4 Section 8, Township 25 North,
Range 3 West, NMPM, Rio Arriba County, New Mexico.

(3) That the matter came on for hearing at 9:00 a.m. on
July 9, 1980, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter and, pursuant to this hearing, Order No.
R-6497 was issued on October 21, 1980, which granted Supron's
application for a 160-acre non-standard gas proration unit
in the Blanco Mesquite Pool comprising the SE 1/4
Section 8, Township 25 North, Range 3 West, NMPM,
Rio Arriba County, New Mexico.

(4) That on November 17, 1980 application for Hearing
De Novo was made by Curtis J. Little and Bear Tooth Oil Company, Inc. and
the matter was set for hearing before the Commission. Company

(5) That the matter came on for hearing de novo on
January 19, 1981.

Case No. De Novo
Order No. R- -A

Division
(6) That the evidence adduced at said hearing indicates that ~~Commission~~ Order No. R-6497 entered *October 21, 1980*, should be affirmed.

IT IS THEREFORE ORDERED:

(1) That *Division* ~~Commission~~ Order No. R-6497, entered *October 21, 1980*, is hereby affirmed.

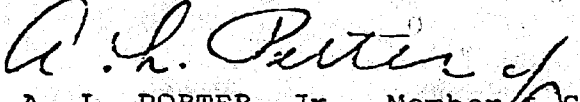
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

CASE 6965: SUPRON ENERGY CORPORATION FOR
NEW STANDARD GAS PRODUCTION UNIT, RIO
ARriba COUNTY, NEW MEXICO

Case No.

6965

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 July 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. CASE 6965

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant, Supron: William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Place
Santa Fe, New Mexico 87501

For Curtis R. Little: Sumner Buell, Esq.
JASPER & BUELL
Santa Fe, New Mexico 87501

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I N D E X

GUDBRAND BJERKE

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JERRY L. LEE

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CURTIS LITTLE

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Cross Examination by Mr. Carr 18

E X H I B I T S

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Supron Exhibit Two, Title Opinion 6

Supron Exhibit Three, Plat 9

Supron Exhibit Four, Plat 10

Little Exhibit One, Plat 16

Little Exhibit Two, Plat 16

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1 MR. NUTTER: The first case this afternoon
2 will be Case Number 6965.

3 MR. PADILLA: Application of Supron Energy
4 Corporation for a non-standard gas p[ro]duction unit, Rio Arriba
5 County, New Mexico.

6 MR. CARR: May it please the Examiner,
7 I am William F. Carr, Campbell & Black, P. A., Santa Fe,
8 appearing on behalf of the applicant.

9 I have two witnesses.

10 MR. NUTTER: Other appearances, please.

11 MR. BUELL: Mr. Examiner, Sumner Buell,
12 appearing on behalf of Curtis J. Little in opposition to the
13 application.

14 MR. PADILLA: Mr. Buell, do you have any
15 witnesses?

16 MR. BUELL: We will have one witness.

17
18 (Witnesses sworn.)

19
20 MR. CARR: I call Mr. Gabby Bjerke.

21
22 GUDBRAND BJERKE
23 being called as a witness and having been duly sworn upon
24 his oath, testified as follows, to-wit:
25

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DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your name and place of residence?

A Gudbrand Bjerke, and I live in Dallas.

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

A I am a landman with Supron Energy Corporation.

Q Have you previously testified before this Commission and had your credentials accepted and made a matter of record?

A Yes, sir.

Q Are you familiar with the application in this case?

A Yes, sir.

Q Are you familiar with the subject area?

A Yes, sir.

MR. CARR: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q Mr. Bjerke, will you briefly state what Supron seeks with this application?

A They are seeking a non-standard proration

1 unit covering the southeast quarter of Section 8, 25 North,
2 3 West, for a Mesaverde and Dakota.

3 Q Does this acreage immediately offset to
4 the south the acreage that was involved in the previous case?

5 A Yes, sir.

6 Q Would you state for the Examiner what
7 exactly Supron's interest is in the southeast quarter of the
8 section?

9 A Supron's interest in the southeast quarter
10 is 100 percent leasehold interest.

11 Q In all formations?

12 A In all formations.

13 Q Is this a Federal lease?

14 A It is a Federal lease.

15 Q Will you summarize for the Examiner the
16 efforts that Supron has made to develop their interest in this
17 section?

18 A In October of 1979 a letter was sent to
19 Gulf Oil Corporation, a Mr. Jack L. Cayias, proposing to
20 drill a Mesaverde test in the southeast quarter covering the
21 east half of the section, Section 8.

22 In November the 27th we got the reply
23 from Gulf Oil Corporation that they were not interested at
24 the present time to participate. Jack Cayias never did an-
25 swer, but I called on location and from January the 4th, I

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1 called him again and wrote a letter to him confirming our
2 phone conversation, and he stated that he was not interested
3 in either participating or farming out on the proposed test
4 well because he wanted more than \$3.00 an Mcf for his gas.

5 Since Southern Union's interest is dedi-
6 cated to the Gas Company of New Mexico, then I advised him
7 to get his own ^{contract with} ~~contact~~ to whoever he wanted, and that's the
8 last I heard from Jack Cayias.

9 Q Are these three letters marked as Supron
10 Exhibit Number One?

11 A This is Exhibit Number One.

12 Q Now who exactly was this Mr. Cayias?

13 A He was an independent operator of some
14 type down from Houston, and he was real hard to get hold of.

15 Q Do your records indicate that he had an
16 interest in this area?

17 A A title opinion said that he had interest
18 in this area.

19 Q Did Supron obtain title opinions for the
20 entire south half of this section?

21 A No. We did get a title opinion on the
22 southeast, dated March the 28th, 1980, and on April the 10th
23 we got a title opinion on the northeast quarter.

24 Q Is the title opinion on the southeast
25 quarter identified as Supron Exhibit Number Two?

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1 The southeast quarter?

2 Q Uh-huh.

3 A Yes, Exhibit Number Two.

4 Q Now, will you review the events that led
5 up to this hearing today?

6 A We, after obtaining the title opinions,
7 we prepared a hearing -- for a hearing that was scheduled to
8 be held May the 7th to put an east half unit, but we weren't
9 aware that Schalk had any interest in it until a couple of
10 days before the hearing.

11 Therefor, we started to question the title
12 opinion and establish the working interest, and we dismissed
13 the application because we also wanted to change the applica-
14 tion from a -- to a Mesaverde and Dakota dual.

15 Q Now following that May 7th hearing, were
16 contacts made with Mr. Schalk?

17 A Yeah. Our representative communicated
18 with representatives of Mr. Schalk and we also gave him a copy
19 of the title opinion.

20 Then Mr Schalk indicated that he would
21 proceed to develop the northeast quarter and that left us to
22 do something with the southeast quarter.

23 Q Can you testify as to the accuracy of
24 Exhibits One and Two?

25 A Yes, sir.

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1 MR. CARR: At this time we would offer
2 Supron Exhibits One and Two.

3 MR. NUTTER: Supron Exhibits One and Two
4 will be admitted in evidence.

5 MR. CARR: I have nothing further of this
6 witness on direct.

7 MR. NUTTER: Are there any questions of
8 Mr. Bjerke?

9 MR. BUELL: None.

10 MR. NUTTER: He may be excused.

11 MR. CARR: I would call Jerry Lee.

12
13 JERRY L. LEE

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

16
17 DIRECT EXAMINATION

18 BY MR. CARR:

19 Q Will you state your name and place of
20 residence?

21 A Jerry Lee, Dallas, Texas.

22 Q By whom are you employed and in what
23 capacity?

24 A I'm drilling and production engineer for
25 Supron Energy Corporation.

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Q Have you previously testified before this Commission and had your credentials accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the application in this case?

A Yes, I am.

Q And are you familiar with the subject area?

A I am.

MR. CARR: We tender Mr. Lee as an expert witness.

MR. NUTTER: Mr. Lee is qualified.

Q Mr. Lee, will you please refer to what has been marked for identification as Supron Exhibit Number Three and explain the information contained thereon for the Examiner?

A Exhibit Three is a plat of the area around the southeast quarter of Section 8, Township 25 North, 3 West showing all offset Mesaverde wells completed as of 4-1-80.

In addition to showing the location of the wells, the plat shows the cumulative production and current production rate from each of these offset Mesaverde wells.

As of this morning at the hearing I discovered that the plat is in error and that there are three

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1 additional Mesaverde wells that have been drilled; one being
2 in the northeast quarter of Section 5; one being in the south-
3 east quarter of Section 6; and one being in the northwest
4 quarter of Section 8.

5 Q Will you now refer to Supron Exhibit
6 Number Four and review this for Mr. Nutter?

7 A Supron Exhibit Four is a similar plat of
8 the subject area, showing the Dakota completions and cumula-
9 tive production for each of the Dakota wells as of 4-1-80.

10 There are three producing Dakota wells,
11 or actually two remaining producing Dakota wells, to the
12 south of the -- of Section 8; one well that has been recom-
13 pleted to the Mesaverde in Section 18 in the southeast quarter;
14 and one well in the northwest quarter of Section 4, which was
15 drilled through the Dakota formation and abandoned at the time
16 it was drilled, due to the opinion of Petro Lewis that it was
17 noncommercial or a dry hole in the Dakota formation.

18 Q What is the standard spacing in the Mesa-
19 verde and Dakota in this area?

20 A The standard spacing for both the Blanco
21 Mesaverde and the Basin Dakota Pools is 320 acres.

22 Q Has infill drilling been approved in each
23 of these pools?

24 A Yes. The infill program has been approved
25 for both the Mesaverde and the Dakota formations.

1 Q Are you familiar with the infill drilling
2 orders?

3 A Yes, I am.

4 Q And could you briefly state what these
5 orders find?

6 A The infill program was brought before the
7 Commission and approved on the basis that the existing one
8 well per 320-acre unit was insufficient to adequately and
9 effectively drain the 320-acre unit, and it therefor authorized
10 the drilling of a second well on that 320-acre unit in order
11 to fully develop and produce, adequately deplete the reser-
12 voirs.

13 MR. CARR: Mr. Examiner, these are Orders
14 R-1670-T and 1670-B, and we would ask that you take admini-
15 strative notice of them in reviewing this application.

16 MR. NUTTER: We'll take administrative
17 notice of the infill orders in both cases.

18 Q Mr. Lee, are there other operators in the
19 immediate area that are developing these pools with one well
20 on each 160-acre tract?

21 A There are in the area of the plats covered
22 on Exhibit Three, there are currently in the north half of
23 Section 4, Petro Lewis has drilled both their primary and in-
24 fill well and in effect have developed on 160 acres.

25 And in addition, directly offsetting the

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1 area in question in Section 8, Mr. Schalk has now drilled and
2 completed two wells on a 320-acre spacing unit, and in effect
3 has developed on 160-acre spacing.

4 Q Would the proposed well be prorated?

5 A Yes, they would, both the Basin Dakota
6 and the Blanco Mesaverde are prorated.

7 Q And how would the non-standard proration
8 unit affect the proposed well's allowable?

9 A By having a smaller spacing unit, a non-
10 standard spacing unit, it would reduce the allowable.

11 Q Does Supron plan to drill the proposed
12 well at a standard location?

13 A Yes, we do.

14 Q Has that location been staked?

15 A No, the location has not been staked at
16 this time.

17 Q Do you anticipate that the proposed well
18 will be a commercial success?

19 A Yes, I do, in the Mesaverde formation.

20 Q As such, do you believe that it would
21 drain either the Mesaverde or the Dakota formation on ad-
22 joining properties?

23 A No, I do not. Given sufficient time, if
24 there were no development in the offset properties, it may
25 drain some reserves from the offset properties, but I assume

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1 that if we have a commercial well on our acreage, it would
2 be developed in the offset acreage.

3 Q To produce all the reserves under the
4 east half of Section 8, is it your opinion that two wells will
5 have to be drilled?

6 A That is correct.

7 Q In your opinion will granting this appli-
8 cation result in the recovery of hydrocarbons that would not
9 be produced without the drilling of two wells in the east
10 half of Section 8?

11 A Yes, I do.

12 Q In your opinion will granting this appli-
13 cation therefor prevent waste?

14 A Yes, it will.

15 Q Do you believe that granting the applica-
16 tion will impair the correlative rights of any operator in the
17 area?

18 A No, I do not.

19 Q And what do you base that conclusion on?

20 A The -- primarily on the basis that it has
21 been determined by the Commission previously that it would
22 require two wells for 320-acre spacing unit to adequately
23 deplete the reservoirs, and since Supron has 100 percent in-
24 terest in one quarter section, our rights would be protected,
25 and we must assume that the offset parties would also develop

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1 their own acreage.

2 Q Were Exhibits Three and Four prepared by
3 you?

4 A Yes, they were.

5 MR. CARR: At this time, Mr. Examiner, we
6 would offer Supron Exhibits Three and Four.

7 MR. NUTTER: Supron Exhibits Three and
8 Four will be admitted in evidence.

9 MR. CARR: We have nothing further on
10 direct.

11
12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q Mr. Lee, Supron has 100 percent working
15 interest ownership in the Blanco Mesaverde, as well as the
16 Dakota formation underlying this 160-acre tract, is that cor-
17 rect?

18 A Yes, sir, that is correct.

19 Q And is it your intent to dually complete
20 the well that you're going to drill on the tract?

21 A Yes, sir, we are, or we will attempt --
22 we will drill and evaluate, and then hope to dually complete.

23 Q If both formations are productive it
24 would be dually completed?

25 A Yes, sir, that is correct.

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MR. NUTTER: Are there any further questions of the witness?

MR. BUELL: No.

MR. NUTTER: He may be excused.

Does that conclude your direct case, Mr. Carr?

MR. CARR: That concludes our direct case.

MR. NUTTER: Mr. Buell?

CURTIS LITTLE

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please?

A Curtis J. Little, Farmington, New Mexico.

Q And what is your occupation, Mr. Little?

A Petroleum Geologist and independent operator.

Q And have you previously testified before the Oil Conservation Division or one of its examiners?

A Yes, sir.

Q And have your qualifications as a petroleum geologist been accepted as a matter of record?

1 A Yes, sir.

2 Q Do you have an interest in the application
3 filed herein by Supron in Case Number 6965? Would you explain
4 your interest in the application?

5 A I have an undivided one half interest
6 from the base of the Pictured Cliffs to the base of the Dakota
7 in the northeast quarter.

8 Q And is that shown on Exhibit Number One?

9 A Number One outlined in blue.

10 Q And on Exhibit Number Two outlined in
11 blue, also?

12 A Yes, sir.

13 Q And do you share any interests in the
14 Mesaverde formation with any other individuals or entities?

15 A On the Mesaverde Schalk has -- he has re-
16 maining one half interest on a farmout from Gulf.

17 Q And do you have an interest in the rights
18 from the base of the Mesaverde to the base of the Dakota forma-
19 tion?

20 A I have one half interest with Gulf having
21 the remaining one half interest under the northeast quarter.

22 Q When did you acquire your interest in
23 the northeast quarter of Section 8?

24 A In May of this year.

25 Q Why do you oppose this application?

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1 A I was not notified of this application.
2 On opening my mail Monday morning, being out of town, I found
3 the application. I immediately called Gulf and asked what
4 their position -- or notified them that we were going to have
5 the hearing, and asked what -- where they would stand. I got
6 no reply.

7 I called Southern Union and --

8 Q By Southern Union you mean --

9 A I mean Supron, and talked to Mr. Lee, and
10 notified him that I had the interest involved; that I was an-
11 xious to sign the AFE and operating agreement. If he would
12 bring those documents to Santa Fe, I would execute them.

13 And the remaining one quarter, I don't
14 know what happens, compulsory pooling, joining, farming out.

15 Q So you have made efforts to contact
16 Supron and tell them you were willing to participate in the
17 320-acre proration unit?

18 A Yes, sir.

19 Q Pay your proportionate share?

20 A Yes, sir.

21 Q And do you have any proposed alternatives
22 to putting this 320-acre proration into two portions?

23 A Well, it's an established 320-acre spacing
24 on each -- on each formation. If this is granted to my know-
25 ledge it would be the first time that an exception like this

1 is made. In my opinion the correlative rights of myself and
2 the royalty owners would be hurt. There would certainly be
3 waste, causing an additional well to be drilled, two wells
4 instead of one in the northeast quarter.

5 My rights to participate under two wells
6 and spread my risk would be -- cease to exist, and I think
7 it should go according to State spacing units.

8 Q Were Exhibits One and Two prepared by you
9 or under your supervision?

10 A Yes, sir.

11 MR. BUELL: I move the admission of Ex-
12 hibits One and Two.

13 MR. NUTTER: Exhibits One and Two will be
14 admitted in evidence.

15 MR. BUELL: I have nothing else.

16 MR. NUTTER: Are there any questions of
17 Mr. Little?

18 MR. CARR: I have a couple.

19 MR. NUTTER: Mr. Carr.

20 CROSS EXAMINATION

21 BY MR. CARR:

22 Q Mr. Little, you stated you acquired your
23 interest in the northeast quarter in May of this year, is that
24 correct?
25

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1 A That is correct.

2 Q Were you aware of the hearing docketed
3 for May 7th concerning the establishment of a unit for the
4 east half in this area?

5 A No, sir, I was not.

6 Q And the first notice you received was
7 this week?

8 A Monday when I opened my mail.

9 Q Did you acquire your interest through
10 Mr. Cayias?

11 A On a farmout, yes, sir.

12 Q Do you have any ownership whatsoever in
13 the southeast quarter?

14 A No, sir.

15 Q Would granting the application in this
16 case in any way exclude the development of the northeast
17 quarter with one well? Or preclude it?

18 A It would not preclude it; might have to
19 force pool Gulf and Schalk. I guess that would be a possi-
20 bility.

21 MR. CARR: I have nothing further.

22 MR. NUTTER: Are there any further ques-
23 tions of Mr. Little? He may be excused.

24 Anything further, Mr. Buell?

25 MR. BUELL: No, sir.

1 MR. MUTTER: Does anyone have anything
2 they wish to offer in Case Number 6965?

3 We'll take the case under advisement.
4

5 (Hearing concluded.)
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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.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6965, heard by me on 7/9 1980.

 , Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 July 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Supron Energy)
Corporation for a non-standard) CASE
gas proration unit, Rio Arriba) 6965
County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant, Supron: William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Place
Santa Fe, New Mexico 87501

For Curtis R. Little: Sumner Buell, Esq.
JASPER & BUELL
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2

I N D E X

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4

GUDBRAND BJERKE

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Direct Examination by Mr. Carr

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JERRY L. LEE

8

Direct Examination by Mr. Carr

8

9

Cross Examination by Mr. Nutter

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CURTIS LITTLE

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Direct Examination by Mr. Buell

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Cross Examination by Mr. Carr

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E X H I B I T S

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Supron Exhibit One, Letters

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Supron Exhibit Two, Title Opinion

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Supron Exhibit Three, Plat

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Supron Exhibit Four, Plat

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Little Exhibit One, Plat

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Little Exhibit Two, Plat

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1 MR. NUTTER: The first case this afternoon
2 will be Case Number 6965.

3 MR. PADILLA: Application of Supron Energy
4 Corporation for a non-standard gas proration unit, Rio Arriba
5 County, New Mexico.

6 MR. CARR: May it please the Examiner,
7 I am William F. Carr, Campbell & Black, P. A., Santa Fe,
8 appearing on behalf of the applicant.

9 I have two witnesses.

10 MR. NUTTER: Other appearances, please.

11 MR. BUELL: Mr. Examiner, Sumner Buell,
12 appearing on behalf of Curtis J. Little in opposition to the
13 application.

14 MR. PADILLA: Mr. Buell, do you have any
15 witnesses?

16 MR. BUELL: We will have one witness.

17 (Witnesses sworn.)

18 MR. CARR: I call Mr. Gabby Bjerke.

19 GUDBRAND BJERKE

20 being called as a witness and having been duly sworn upon
21 his oath, testified as follows, to-wit:
22
23
24
25

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DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your name and place of residence?

A Gudbrand Bjerke, and I live in Dallas.

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

A I am a landman with Supron Energy Corporation.

Q Have you previously testified before this Commission and had your credentials accepted and made a matter of record?

A Yes, sir.

Q Are you familiar with the application in this case?

A Yes, sir.

Q Are you familiar with the subject area?

A Yes, sir.

MR. CARR: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q Mr. Bjerke, will you briefly state what Supron seeks with this application?

A They are seeking a non-standard proration

1 unit covering the southeast quarter of Section 8, 25 North,
2 3 West, for a Mesaverde and Dakota.

3 Q Does this acreage immediately offset to
4 the south the acreage that was involved in the previous case?

5 A Yes, sir.

6 Q Would you state for the Examiner what
7 exactly Supron's interest is in the southeast quarter of the
8 section?

9 A Supron's interest in the southeast quarter
10 is 100 percent leasehold interest.

11 Q In all formations?

12 A In all formations.

13 Q Is this a Federal lease?

14 A It is a Federal lease.

15 Q Will you summarize for the Examiner the
16 efforts that Supron has made to develop their interest in this
17 section?

18 A In October of 1979 a letter was sent to
19 Gulf Oil Corporation, a Mr. Jack L. Cayias, preposing to
20 drill a Mesaverde test in the southeast quarter covering the
21 east half of the section, Section 8.

22 In November the 27th we got the reply
23 from Gulf Oil Corporation that they were not interested at
24 the present time to participate. Jack Cayias never did an-
25 swer, but I called on location and from January the 4th, I

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1 called him again and wrote a letter to him confirming our
2 phone conversation, and he stated that he was not interested
3 in either participating or farming out on the proposed test
4 well because he wanted more than \$3.00 an Mcf for his gas.

5 Since Southern Union's interest is dedi-
6 cated to the Gas Company of New Mexico, then I advised him
7 to get his own contact to whoever he wanted, and that's the
8 last I heard from Jack Cayias.

9 Q Are these three letters marked as Supron
10 Exhibit Number One?

11 A This is Exhibit Number One.

12 Q Now who exactly was this Mr. Cayias?

13 A He was an independent operator of some
14 type down from Houston, and he was real hard to get hold of.

15 Q Do your records indicate that he had an
16 interest in this area?

17 A A title opinion said that he had interest
18 in this area.

19 Q Did Supron obtain title opinions for the
20 entire south half of this section?

21 A No. We did get a title opinion on the
22 southeast, dated March the 28th, 1980, and on April the 10th
23 we got a title opinion on the northeast quarter.

24 Q Is the title opinion on the southeast
25 quarter identified as Supron Exhibit Number Two?

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1 A The southeast quarter?

2 Q Uh-huh.

3 A Yes, Exhibit Number Two.

4 Q Now, will you review the events that led

5 up to this hearing today?

6 A We, after obtaining the title opinions,

7 we prepared a hearing -- for a hearing that was scheduled to

8 be held May the 7th to put an east half unit, but we weren't

9 aware that Schalk had any interest in it until a couple of

10 days before the hearing.

11 Therefor, we started to question the title

12 opinion and establish the working interest, and we dismissed

13 the application because we also wanted to change the applica-

14 tion from a -- to a Mesaverde and Dakota dual.

15 Q Now following that May 7th hearing, were

16 contacts made with Mr. Schalk?

17 A Yeah. Our representative communicated

18 with representatives of Mr. Schalk and we also gave him a copy

19 of the title opinion.

20 Then Mr. Schalk indicated that he would

21 proceed to develop the northeast quarter and that left us to

22 do something with the southeast quarter.

23 Q Can you testify as to the accuracy of

24 Exhibits One and Two?

25 A Yes, sir.

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1 MR. CARR: At this time we would offer
2 Supron Exhibits One and Two.

3 MR. NUTTER: Supron Exhibits One and Two
4 will be admitted in evidence.

5 MR. CARR: I have nothing further of this
6 witness on direct.

7 MR. NUTTER: Are there any questions of
8 Mr. Bjerke?

9 MR. BUELL: None.

10 MR. NUTTER: He may be excused.

11 MR. CARR: I would call Jerry Lee.

12 JERRY L. LEE
13
14 being called as a witness and having been duly sworn upon his
15 oath, testified as follows, to-wit:

16
17 DIRECT EXAMINATION

18 BY MR. CARR:

19 Q Will you state your name and place of
20 residence?

21 A Jerry Lee, Dallas, Texas.

22 Q By whom are you employed and in what
23 capacity?

24 A I'm drilling and production engineer for
25 Supron Energy Corporation.

1 Q Have you previously testified before this
2 Commission and had your credentials accepted and made a matter
3 of record?

4 A Yes, I have.

5 Q Are you familiar with the application in
6 this case?

7 A Yes, I am.

8 Q And are you familiar with the subject
9 area?

10 A I am.

11 MR. CARR: We tender Mr. Lee as an expert
12 witness.

13 MR. NUTTER: Mr. Lee is qualified.

14 Q Mr. Lee, will you please refer to what
15 has been marked for identification as Supron Exhibit Number
16 Three and explain the information contained thereon for the
17 Examiner?

18 A Exhibit Three is a plat of the area around
19 the southeast quarter of Section 8, Township 25 North, 3 West
20 showing all offset Mesaverde wells completed as of 4-1-80.

21 In addition to showing the location of the
22 wells, the plat shows the cumulative production and current
23 production rate from each of these offset Mesaverde wells.

24 As of this morning at the hearing I dis-
25 covered that the plat is in error and that there are three

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1 additional Mesaverde wells that have been drilled; one being
2 in the northeast quarter of Section 5; one being in the south-
3 east quarter of Section 6; and one being in the northwest
4 quarter of Section 8.

5 Q Will you now refer to Supron Exhibit
6 Number Four and review this for Mr. Nutter?

7 A Supron Exhibit Four is a similar plat of
8 the subject area, showing the Dakota completions and cumula-
9 tive production for each of the Dakota wells as of 4-1-80.

10 There are three producing Dakota wells,
11 or actually two remaining producing Dakota wells, to the
12 south of the -- of Section 8; one well that has been recom-
13 pleted to the Mesaverde in Section 18 in the southeast quarter;
14 and one well in the northwest quarter of Section 4, which was
15 drilled through the Dakota formation and abandoned at the time
16 it was drilled, due to the opinion of Petro Lewis that it was
17 noncommercial or a dry hole in the Dakota formation.

18 Q What is the standard spacing in the Mesa-
19 verde and Dakota in this area?

20 A The standard spacing for both the Blanco
21 Mesaverde and the Basin Dakota Pools is 320 acres.

22 Q Has infill drilling been approved in each
23 of these pools?

24 A Yes. The infill program has been approved
25 for both the Mesaverde and the Dakota formations.

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1 Q Are you familiar with the infill drilling
2 orders?

3 A Yes, I am.

4 Q And could you briefly state what these
5 orders find?

6 A The infill program was brought before the
7 Commission and approved on the basis that the existing one
8 well per 320-acre unit was insufficient to adequately and
9 effectively drain the 320-acre unit, and it therefor authorized
10 the drilling of a second well on that 320-acre unit in order
11 to fully develop and produce, adequately deplete the reser-
12 voirs.

13 MR. CARR: Mr. Examiner, these are Orders
14 R-1670-T and 1670-B, and we would ask that you take admini-
15 strative notice of them in reviewing this application.

16 MR. NUTTER: We'll take administrative
17 notice of the infill orders in both cases.

18 Q Mr. Lee, are there other operators in the
19 immediate area that are developing these pools with one well
20 on each 160-acre tract?

21 A There are in the area of the plats covered
22 on Exhibit Three, there are currently in the north half of
23 Section 4, Petro Lewis has drilled both their primary and in-
24 fill well and in effect have developed on 160 acres.

25 And in addition, directly offsetting the

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1 area in question in Section 8, Mr. Schalk has now drilled and
2 completed two wells on a 320-acre spacing unit, and in effect
3 has developed on 160-acre spacing.

4 Q Would the proposed well be prorated?

5 A Yes, they would, both the Basin Dakota
6 and the Blanco Mesaverde are prorated.

7 Q And how would the non-standard proration
8 unit affect the proposed well's allowable?

9 A By having a smaller spacing unit, a non-
10 standard spacing unit, it would reduce the allowable.

11 Q Does Supron plan to drill the proposed
12 well at a standard location?

13 A Yes, we do.

14 Q Has that location been staked?

15 A No, the location has not been staked at
16 this time.

17 Q Do you anticipate that the proposed well
18 will be a commercial success?

19 A Yes, I do, in the Mesaverde formation.

20 Q As such, do you believe that it would
21 drain either the Mesaverde or the Dakota formation on ad-
22 joining properties?

23 A No, I do not. Given sufficient time, if
24 there were no development in the offset properties, it may
25 drain some reserves from the offset properties, but I assume

1 that if we have a commercial well on our acreage, it would
2 be developed in the offset acreage.

3 Q To produce all the reserves under the
4 east half of Section 8, is it your opinion that two wells will
5 have to be drilled?

6 A That is correct.

7 Q In your opinion will granting this appli-
8 cation result in the recovery of hydrocarbons that would not
9 be produced without the drilling of two wells in the east
10 half of Section 8?

11 A Yes, I do.

12 Q In your opinion will granting this appli-
13 cation therefor prevent waste?

14 A Yes, it will.

15 Q Do you believe that granting the applica-
16 tion will impair the correlative rights of any operator in the
17 area?

18 A No, I do not.

19 Q And what do you base that conclusion on?

20 A The -- primarily on the basis that it has
21 been determined by the Commission previously that it would
22 require two wells for 320-acre spacing unit to adequately
23 deplete the reservoirs, and since Supron has 100 percent in-
24 terest in one quarter section, our rights would be protected,
25 and we must assume that the offset parties would also develop

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1 their own acreage.

2 Q Were Exhibits Three and Four prepared by
3 you?

4 A Yes, they were.

5 MR. CARR: At this time, Mr. Examiner, we
6 would offer Supron Exhibits Three and Four.

7 MR. NUTTER: Supron Exhibits Three and
8 Four will be admitted in evidence.

9 MR. CARR: We have nothing further on
10 direct.

11
12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q Mr. Lee, Supron has 100 percent working
15 interest ownership in the Blanco Mesaverde, as well as the
16 Dakota formation underlying this 160-acre tract, is that cor-
17 rect?

18 A Yes, sir, that is correct.

19 Q And is it your intent to dually complete
20 the well that you're going to drill on the tract?

21 A Yes, sir, we are, or we will attempt --
22 we will drill and evaluate, and then hope to dually complete.

23 Q If both formations are productive it
24 would be dually completed?

25 A Yes, sir, that is correct.

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1 MR. NUTTER: Are there any further ques-
2 tions of the witness?

3 MR. BUELL: No.

4 MR. NUTTER: He may be excused.

5 Does that conclude your direct case, Mr.
6 Carr?

7 MR. CARR: That concludes our direct case.

8 MR. NUTTER: Mr. Buell?

9
10 CURTIS LITTLE

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

13
14 DIRECT EXAMINATION

15 BY MR. BUELL:

16 Q Would you state your name, please?

17 A Curtis J. Little, Farmington, New Mexico.

18 Q And what is your occupation, Mr. Little?

19 A Petroleum Geologist and independent oper-
20 ator.

21 Q And have you previously testified before
22 the Oil Conservation Division or one of its examiners?

23 A Yes, sir.

24 Q And have your qualifications as a petro-
25 leum geologist been accepted as a matter of record?

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1 A Yes, sir.

2 Q Do you have an interest in the application
3 filed herein by Supron in Case Number 6965? Would you explain
4 your interest in the application?

5 A I have an undivided one half interest
6 from the base of the Pictured Cliffs to the base of the Dakota
7 in the northeast quarter.

8 Q And is that shown on Exhibit Number One?

9 A Number One outlined in blue.

10 Q And on Exhibit Number Two outlined in
11 blue, also?

12 A Yes, sir.

13 Q And do you share any interests in the
14 Mesaverde formation with any other individuals or entities?

15 A On the Mesaverde Schalk has -- he has re-
16 maining one half interest on a farmout from Gulf.

17 Q And do you have an interest in the rights
18 from the base of the Mesaverde to the base of the Dakota form-
19 ation?

20 A I have one half interest with Gulf having
21 the remaining one half interest under the northeast quarter.

22 Q When did you acquire your interest in
23 the northeast quarter of Section 8?

24 A In May of this year.

25 Q Why do you oppose this application?

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1 A I was not notified of this application.
2 On opening my mail Monday morning, being out of town, I found
3 the application. I immediately called Gulf and asked what
4 their position -- or notified them that we were going to have
5 the hearing, and asked what -- where they would stand. I got
6 no reply.

7 I called Southern Union and --

8 Q By Southern Union you mean --

9 A I mean Supron, and talked to Mr. Lee, and
10 notified him that I had the interest involved; that I was an-
11 xious to sign the AFE and operating agreement. If he would
12 bring those documents to Santa Fe, I would execute them.

13 And the remaining one quarter, I don't
14 know what happens, compulsory pooling, joining, farming out.

15 Q So you have made efforts to contact
16 Supron and tell them you were willing to participate in the
17 320-acre proration unit?

18 A Yes, sir.

19 Q Pay your proportionate share?

20 A Yes, sir.

21 Q And do you have any proposed alternatives
22 to putting this 320-acre proration into two portions?

23 A Well, it's an established 320-acre spacing
24 on each -- on each formation. If this is granted to my know-
25 ledge it would be the first time that an exception like this

1 is made. In my opinion the correlative rights of myself and
2 the royalty owners would be hurt. There would certainly be
3 waste, causing an additional well to be drilled, two wells
4 instead of one in the northeast quarter.

5 My rights to participate under two wells
6 and spread my risk would be -- cease to exist, and I think
7 it should go according to State spacing units.

8 Q Were Exhibits One and Two prepared by you
9 or under your supervision?

10 A Yes, sir.

11 MR. BUELL: I move the admission of Ex-
12 hibits One and Two.

13 MR. NUTTER: Exhibits One and Two will be
14 admitted in evidence.

15 MR. BUELL: I have nothing else.

16 MR. NUTTER: Are there any questions of
17 Mr. Little?

18 MR. CARR: I have a couple.

19 MR. NUTTER: Mr. Carr.

20
21 CROSS EXAMINATION

22 BY MR. CARR:

23 Q Mr. Little, you stated you acquired your
24 interest in the northeast quarter in May of this year, is that
25 correct?

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1 A That is correct.

2 Q Were you aware of the hearing docketed
3 for May 7th concerning the establishment of a unit for the
4 east half in this area?

5 A No, sir, I was not.

6 Q And the first notice you received was
7 this week?

8 A Monday when I opened my mail.

9 Q Did you acquire your interest through
10 Mr. Cayias?

11 A On a farmout, yes, sir.

12 Q Do you have any ownership whatsoever in
13 the southeast quarter?

14 A No, sir.

15 Q Would granting the application in this
16 case in any way exclude the development of the northeast
17 quarter with one well? Or preclude it?

18 A It would not preclude it; might have to
19 force pool Gulf and Schalk. I guess that would be a possi-
20 bility.

21 MR. CARR: I have nothing further.

22 MR. NUTTER: Are there any further ques-
23 tions of Mr. Little? He may be excused.

24 Anything further, Mr. Buell?

25 MR. BUELL: No, sir.

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MR. NUTTER: Does anyone have anything
they wish to offer in Case Number 6965?

We'll take the case under advisement.

(Hearing concluded.)

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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 C.S.R.

SALLY W. BOYD, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 68-5 held by me on 7/9 1980.

[Signature], Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

LUCE KING
COMMISSIONER

MARY KENDE
SECRETARY

October 21, 1980

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Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 6965
ORDER NO. R-6497

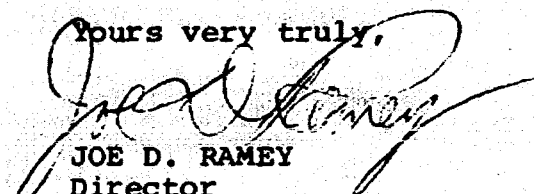
Applicant:

Supron Energy Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other Sumner Buell

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. 6965
Order No. R-6497

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of October, 1980, 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, Supron Energy Corporation, is the owner of all working interest rights in the Mesaverde formation underlying the SE/4 of Section 8, Township 25 North, Range 3 West, NMPH, Rio Arriba County, New Mexico, and proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising said lands to be dedicated to a well it proposes to drill at a standard location thereon.
- (3) That the applicant in Case No. 6896, John E. Schaik, proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the NE/4 of Section 8, Township 25 North, Range 3 West, NMPH, Rio Arriba County, New Mexico, to be dedicated to a well he proposes to drill at a standard location thereon.

-2-

Case No. 6965
Order No. R-6497

(4) That by Order No. R-1670-7, dated November 14, 1974, the Division authorized the drilling of a second well on each 320-acre Blanco Mesaverde proration unit, thereby creating in effect a 160-acre spacing pattern for said pool.

(5) That the W/2 of Section 8 comprises a 320-acre Blanco Mesaverde gas proration unit, and has dedicated thereto two wells, one in the NW/4 of the section and the other in the SW/4 of the section.

(6) That approval of the subject application, together with the application in Case No. 6896, to form two 160-acre non-standard units in the E/2 of Section 8 would authorize the full development of the E/2 of Section 8 by the drilling of two wells thereon, and would save the administrative overhead and legal expense which would be required by the communitization of the NE/4 and SE/4 of the section to form a single 320-acre unit to be dedicated to two wells.

(7) That approval of the application in this case will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Supron Energy Corporation, is hereby granted approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

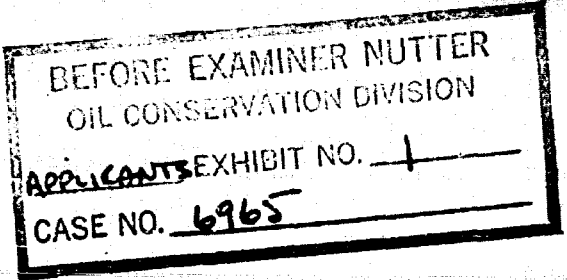
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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 R
fd/



October 25, 1979

Gulf Oil Corporation
P.O. Box 1150
Midland, TX 79701

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

JIM MONTGOMERY 505-393-4121
PO Box 670
HOBBS N.MEX 88240

RE: Mesaverde Test Well
E/2 Section 8, T-25-N, R-3W
Rio Arriba County, New Mexico

Gentlemen:

Supron Energy Corporation proposes the formation of a unit comprised of the E/2 of Section 8, Township 25 North, Range 3 East, Rio Arriba County, New Mexico, for the drilling of an approximate 6,350' Mesaverde Test Well at a legal location in SE $\frac{1}{4}$. We estimate the cost to be \$150,000.00 for a dry hole and \$250,000.00 for a producer. Our records indicate that Gulf and Cayias each own an undivided 50% interest below the base of the Pictured Cliffs formation in and to NE $\frac{1}{4}$ of Section 8.

Provided you are agreeable to participating in the proposed Test Well, kindly indicate your acceptance in the space provided and return one (1) copy to the attention of the undersigned. As an alternative, Supron would be willing to farm your interest on mutual agreeable terms.

In the event you elect to participate, your early reply would be most appreciated in order that we may begin preparation of a Commitment and Operating Agreement covering same. In the meantime, should you have any questions, please feel free to contact the undersigned or Mr. Jerry Lee of our Drilling and Production Department.

Sincerely,

Gaby Bjerke
Area Landman

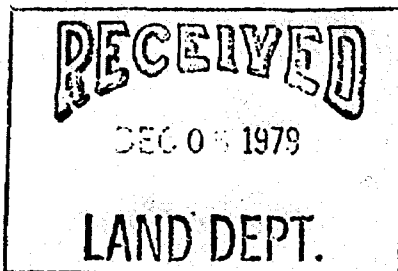
GB:ap

AGREED TO AND ACCEPTED
this _____ day of _____, 1979.

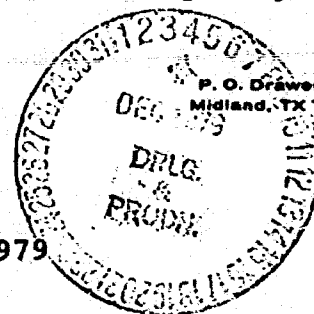
BY: _____

Land
Gulf Oil Exploration and Production Company

R. E. Griffith
MANAGER LAND, SOUTHWEST DISTRICT



November 27, 1979



Re: Mesaverde Test Well
E/2 Section 8, T-25-N,
R-3-W, RIO ARRIBA COUNTY,
New Mexico

Supron Energy Corporation
10300 North Central Expressway
Dallas, Texas 75231

Mr. Blackham

Gentlemen:

With reference to your letter of October 25, 1979, please be advised that Gulf has carefully reviewed your request and is not interested at the present time.

We do wish to thank you for the opportunity to consider your proposal.

Yours very truly,

R. E. Griffith

R. E. GRIFFITH

CTB/dh

*NE 1/4 already committed to a 7.0
well drilling now
12/5-79*



A DIVISION OF GULF OIL CORPORATION

January 4, 1980

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

RE: Mesaverde Test Well
E $\frac{1}{2}$ Sec. 8, T-25-N, R-3-W
Rio Arriba County
NEW MEXICO

Dear Mr. Cayias:

Confirming our phone conversation of today, you expressed that you were not interested in either participating or farming out in the proposed Test Well on the above acreage if price of gas sold was less than approximately \$3.00 per MCF.

Supron's acreage in SE $\frac{1}{4}$ of Section 8 is dedicated to the Gas Company of New Mexico under contract dated May 1, 1972. However, your interest under NE $\frac{1}{4}$ of Section 8 is not. The Joint Operating Agreement provides that a non-operator may take his share of production in kind, and therefore you could sell to a third party at any price you can get.

Therefore, we wish you would reconsider our proposal of October 25, 1979. If you need further information, please advise.

Yours very truly,

Gaby Bjerke
Landman

G3:ap

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
748-3508

28 March 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 079609, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4859

Section 8: SE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3" Well.

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
APPLICANTS EXHIBIT NO. 2
CASE NO. 6965

In connection with the title to the oil and gas lease covering the lands described in the caption hereof, we have examined the following:

1. Abstract of Title No. 31782 compiled by Federal Abstract Company, Santa Fe, New Mexico, containing 164 pages and tracing title to the captioned lease and lands from the Plat Book Records, Historical Index Records, Serial Record and Case File in the United States Land Office, Santa Fe, New Mexico, to October 1, 1979 at 10:00 A.M.
2. Abstract of Title No. 10408 compiled by Espanola Abstract Company, Inc., Espanola, New Mexico, containing 89 pages and tracing title to the mineral estate only from the records in the Offices of the County Clerk and Clerk of the District Court of Rio Arriba County, New Mexico, from the inception of the records to February 14, 1980 at 9:00 A.M.

From our examination of the foregoing, we report as follows:

I. TITLE:

1. Minerals. United States All
2. Oil and Gas Leasehold Estate.

United States125 RI
Thomas J. McCroden, Trustee of the
Clara B. McCroden Trust dated
July 29, 1975025 ORI
*Paul S. Albright, whose wife is Laura
Z. Albright010 ORI
Supron Energy Corporation840 WI

*Until \$25.00 per acre shall have been recovered from the captioned lands and NE/4, S/2 Section 9, Township 25 North, Range 3 West, whereupon this ORI shall reduce to .005 and the WI shall proportionately increase.

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date: September 1, 1948

Serial No.: SF 079609

Lessor: United States

Original Lessee: N. G. McCroden

Present Lessee: Supron Energy Corporation

Lands Covered: Captioned lands and other lands totaling 800 acres, more or less

Primary Term: Five years, with right to extend for an additional five years

Rental: 50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years

Minimum Royalty: Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage

Royalty: 12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

The primary term of this lease was extended until August 31, 1958. Annual rentals are shown as paid through August 31, 1957. A USGS memorandum notes the completion on July 7, 1956 of the No. "1-A" McCroden in the NE/4 NE/4 of Section 9, on other lands in the lease. This lease is now considered in a producing status and its royalty account is maintained by the USGS.

III. COMMENTS:

1. Surface Patent. By Letters Patent 999374 dated March 30, 1927, the United States conveyed the captioned lands and other lands to Tom H. Smith, and reserved the coal and other minerals in the lands so entered and patented. The oil and gas lessee's rights are dominant to the surface patentee's rights, but you will be required to compensate the surface owner for damages caused by your operations thereon.

2. Right of Reassignment. By assignment dated November 17, 1953, approved January 4, 1954, N. G. McCroden and Clara B. McCroden, his wife, conveyed the SE/4 and other lands to Paul S. Albright. In this assignment the assignee agreed not to surrender the lease without tendering to assignor a reassignment at least 120 days prior to the time for the payment of the next annual rental or the expiration of the lease in the event it may be extended or renewed other than by drilling operations. There is no provision limiting the liability of assignee for breach of this reassignment provision. You should set up your records to comply with its terms.

IV. REQUIREMENTS:

1. Royalty Account. As noted above, this is a producing lease and the status of its royalty account is not shown in the abstracts, for the same is maintained by the USGS. We should be furnished with a letter from the USGS setting forth the status of the royalty account on this lease and we have written for such a report.

2. Assignments Not Recorded in the County. The following assignments, although filed with and approved by the U. S. Land Office, have not been recorded in the County records: dated November 17, 1953, approved January 4, 1954, from N. G. McCroden et ux to Paul S. Albright; and dated January 1, 1961, approved April 1, 1961, from Paul S. Albright et al to Southern Union Production Company.

The filing with and approval by the U. S. Land Office of an assignment of a federal oil and gas lease, does not constitute notice to the world and does not protect the assignees in any such assignment from the rights of third parties claiming under the assignor.

An executed and acknowledged copy, or a copy certified by the U. S. Land Office, of each of the above assignments should be recorded in the County records in order that you may have the benefit of the constructive notice provisions of our recording statutes.

3. N. G. McCroden Estate. N. G. McCroden, the original lessee, reserved the .025 ORI we have credited to the Clara B. McCroden Trust. By assignment dated August 7, 1975, Clara B. McCroden, ancillary executrix of the estate of Noble Gardner McCroden, conveyed this ORI to Clara B. McCroden, widow and only heir at law. The assignment recites that the McCroden estate was probated in Lea County, New Mexico, District Court Case No. 35462. Proceedings on this estate are not shown in the material examined. In the event production is obtained, we should be furnished with this complete court file to determine that the proceedings were regular and properly conducted, and that Clara B. McCroden was the sole heir of N. G. McCroden, whom we have assumed to be the same person as Noble Gardner McCroden.

When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the lease and lands described in the caption hereof, on the date to

Supron Energy Corporation

No. 4859

which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.



A. J. Losee

AJL:jcb

Abstracts returned herewith.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

APPLICANTS EXHIBIT NO. 1

CASE NO. 6965

October 25, 1979

Gulf Oil Corporation
P.O. Box 1150
Midland, TX 79701

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

JIM MONTGOMERY
PO Box 670
HOBBS N. MEX 88240

505-393-4121

RE: Mesaverde Test Well
E/2 Section 8, T-25-N, R-3W
Rio Arriba County, New Mexico

Gentlemen:

Supron Energy Corporation proposes the formation of a unit comprised of the E/2 of Section 8, Township 25 North, Range 3 East, Rio Arriba County, New Mexico, for the drilling of an approximate 6,350' Mesaverde Test Well at a legal location in SE $\frac{1}{4}$. We estimate the cost to be \$150,000.00 for a dry hole and \$250,000.00 for a producer. Our records indicate that Gulf and Cayias each own an undivided 50% interest below the base of the Pictured Cliffs formation in and to NE $\frac{1}{4}$ of Section 8.

Provided you are agreeable to participating in the proposed Test Well, kindly indicate your acceptance in the space provided and return one (1) copy to the attention of the undersigned. As an alternative, Supron would be willing to farm your interest on mutual agreeable terms.

In the event you elect not to participate, your early reply would be most appreciated in order that we may begin preparation of a Communitization and Operating Agreement covering same. In the meantime, should you have any questions, please feel free to contact the undersigned or Mr. Jerry Lee of our Drilling and Production Department.

Sincerely,

Gaby Bjerke
Area Landman

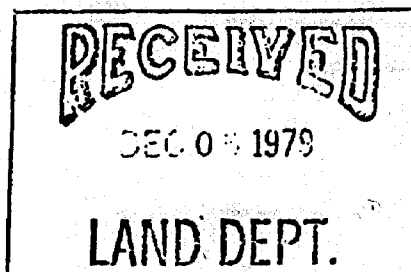
GB:ap

AGREED TO AND ACCEPTED
this _____ day of _____, 1979.

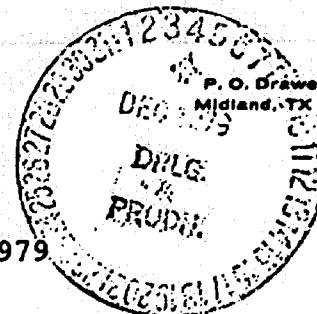
BY: _____

Good
Gulf Oil Exploration and Production Company

R. E. Griffith
MANAGER LAND, SOUTHWEST DISTRICT



November 27, 1979



Re: Mesaverde Test Well
E/2 Section 8, T-25-N,
R-3-W, RIO ARriba COUNTY,
New Mexico

Mr. Blackburn

Supron Energy Corporation
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

With reference to your letter of October 25, 1979, please be advised that Gulf has carefully reviewed your request and is not interested at the present time.

We do wish to thank you for the opportunity to consider your proposal.

Yours very truly,

R. E. Griffith

R. E. GRIFFITH

CTB/dh

*NE 1/4 already committed to a 7.0
well Drilling now
11/5-79*



A DIVISION OF GULF OIL CORPORATION

January 4, 1980

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

RE: Mesaverde Test Well
E $\frac{1}{2}$ Sec. 8, T-25-N, R-3-W
Rio Arriba County
NEW MEXICO

Dear Mr. Cayias:

Confirming our phone conversation of today, you expressed that you were not interested in either participating or farming out in the proposed Test Well on the above acreage if price of gas sold was less than approximately \$3.00 per MCF.

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Gaby Bjerke
Landman

G3:ap

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CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 230
ARTESIA, NEW MEXICO 88210

AREA CODE 502
746-3508

28 March 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 079609, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4859

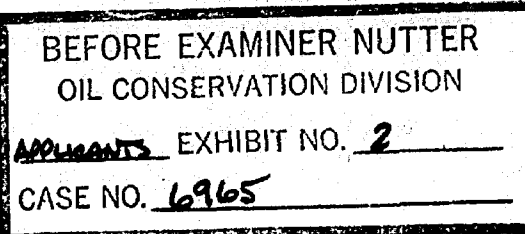
Section 8: SE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3" Well.

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231



Gentlemen:

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From our examination of the foregoing, we report as follows:

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2. Oil and Gas Leasehold Estate.

United States125 RI

Thomas J. McCroden, Trustee of the

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July 29, 1975025 ORI

*Paul S. Albright, whose wife is Laura

Z. Albright010 ORI

Supron Energy Corporation840 WI

*Until \$25.00 per acre shall have been recovered from the captioned lands and NE/4, S/2 Section 9, Township 25 North, Range 3 West, whereupon this ORI shall reduce to .005 and the WI shall proportionately increase.

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Date:	September 1, 1948
Serial No.:	SF 079609
Lessor:	United States
Original Lessee:	N. G. McCroden
Present Lessee:	Supron Energy Corporation
Lands Covered:	Captioned lands and other lands totaling 800 acres, more or less
Primary Term:	Five years, with right to extend for an additional five years
Rental:	50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years
Minimum Royalty:	Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage
Royalty:	12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

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When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the lease and lands described in the caption hereof, on the date to

Supron Energy Corporation

No. 4859

which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.



A. J. Losee

AJL:jcb

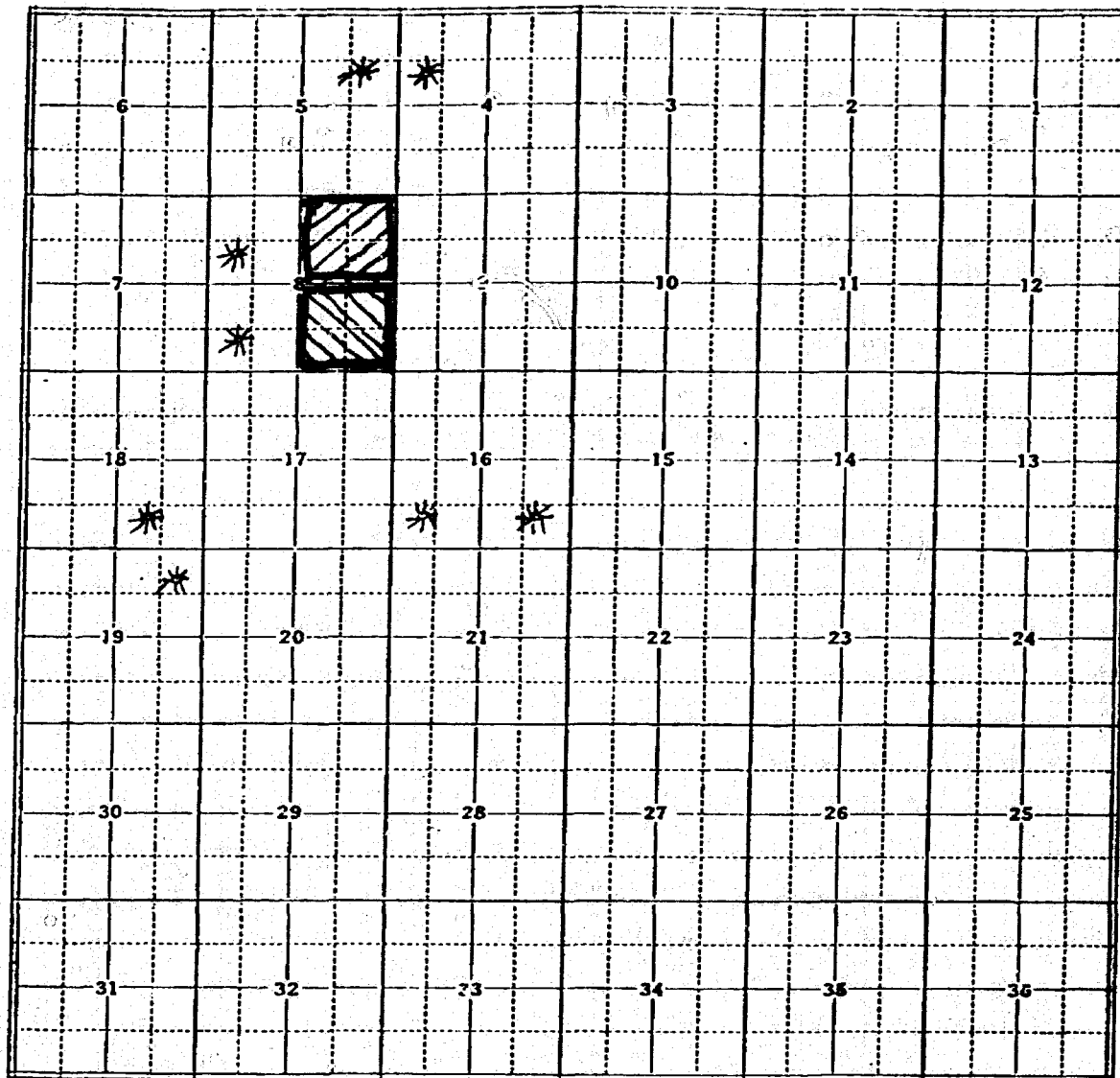
Abstracts returned herewith.

FEDERAL ABSTRACT COMPANY

P. O. BOX 1681
SANTA FE, NEW MEXICO

RED - STATE LAND
BLUE - FEE LAND

TWP. 25N RGE. 3W N.M.P.M.
Rio Arriba COUNTY
DATE July 9, 1980



MESAVERDE



C. J. Little 1/2 Schalk 1/2



Supron

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Little EXHIBIT NO. 1
CASE NO. 6965

FEDERAL ABSTRACT COMPANY

P. O. BOX 1621

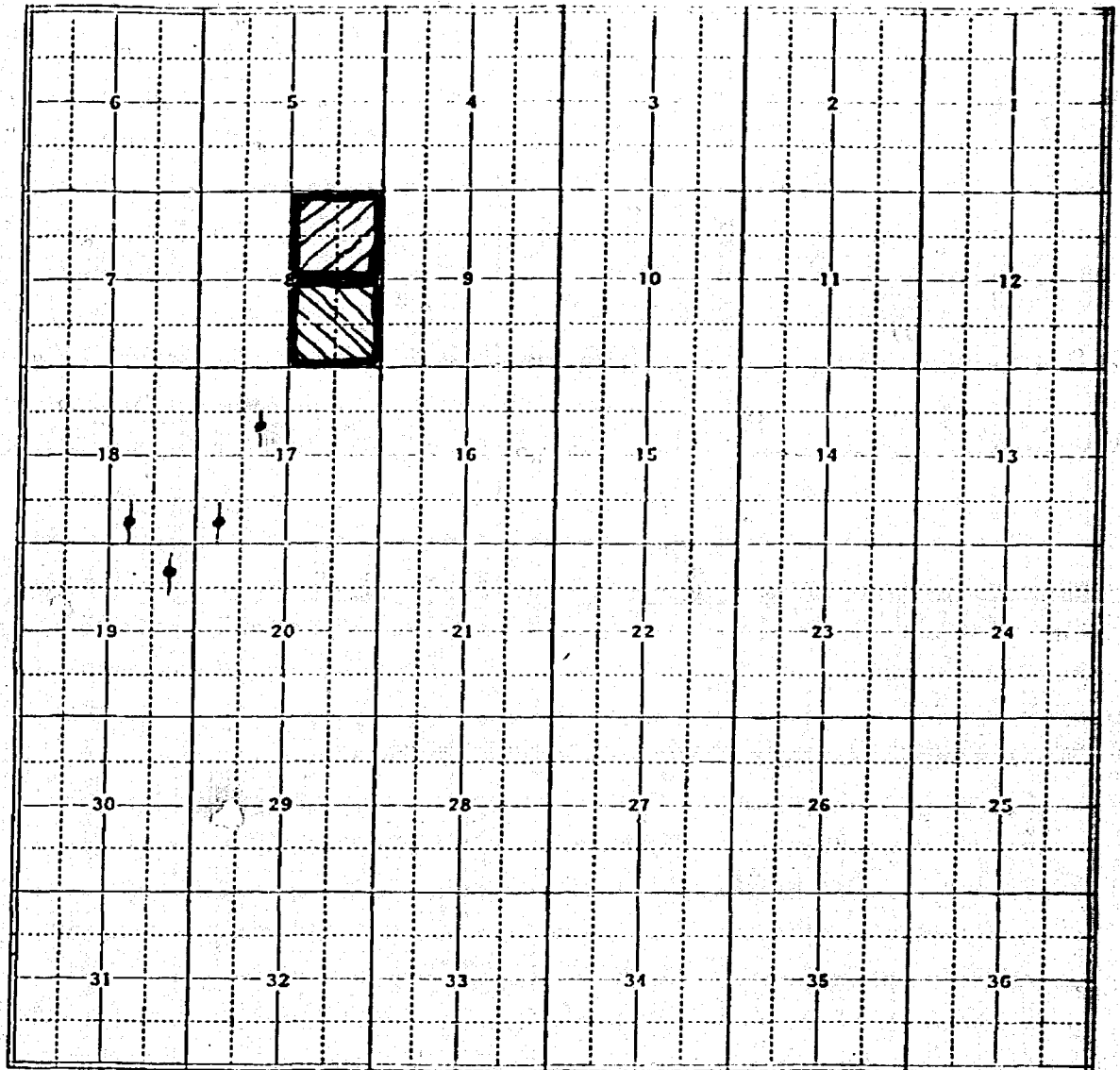
SANTA FE, NEW MEXICO

RED - STATE LAND
BLUE - FEE LAND

TWP. 25N Rgr. 3W N.M.P.M.

Rio Arriba COUNTY

DATE July 9, 1980



BASE OF MESAVERDE TO BASE OF DAKOTA FORMATION



C. J. Little 1/2 - Gulf 1/2



Supron

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Little EXHIBIT NO. 2
CASE NO. 6965

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 6965

October 25, 1979

Gulf Oil Corporation
P.O. Box 1150
Midland, TX 79701

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

JIM MONTGOMERY 505-393-4121
PO Box 670
HOBBS N.MEX 88240

RE: Mesaverde Test Well
E/2 Section 8, T-25-N, R-3W
Rio Arriba County, New Mexico

Gentlemen:

Supron Energy Corporation proposes the formation of a unit comprised of the E/2 of Section 8, Township 25 North, Range 3 East, Rio Arriba County, New Mexico, for the drilling of an approximate 6,350' Mesaverde Test Well at a legal location in SE $\frac{1}{4}$. We estimate the cost to be \$150,000.00 for a dry hole and \$250,000.00 for a producer. Our records indicate that Gulf and Cayias each own an undivided 50% interest below the base of the Pictured Cliffs formation in and to NE $\frac{1}{4}$ of Section 8.

Provided you are agreeable to participating in the proposed Test Well, kindly indicate your acceptance in the space provided and return one (1) copy to the attention of the undersigned. As an alternative, Supron would be willing to farm your interest on mutual agreeable terms.

In the event you elect to participate, your early reply would be most appreciated in order that we may begin preparation of a Commitment and Operating Agreement covering same. In the meantime, should you have any questions, please feel free to contact the undersigned or Mr. Jerry Lee of our Drilling and Production Department.

Sincerely,

Gaby Bjerke
Area Landman

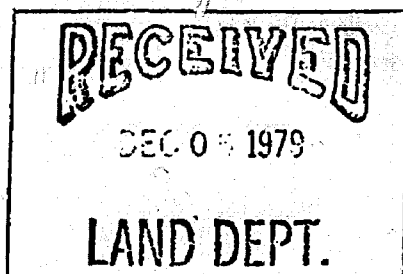
GB:ap

AGREED TO AND ACCEPTED
this _____ day of _____, 1979.

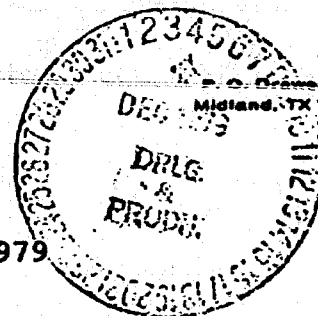
BY: _____

Land
Gulf Oil Exploration and Production Company

R. E. Griffith
MANAGER LAND, SOUTHWEST DISTRICT



November 27, 1979



Re: Mesaverde Test Well
E/2 Section 8, T-25-N,
R-3-W, RIO ARRIBA COUNTY,
New Mexico

Supron Energy Corporation
10300 North Central Expressway
Dallas, Texas 75231

Mr. Blackham

Gentlemen:

With reference to your letter of October 25, 1979, please be advised that Gulf has carefully reviewed your request and is not interested at the present time.

We do wish to thank you for the opportunity to consider your proposal.

Yours very truly,

R. E. Griffith

R. E. GRIFFITH

CTB/dh

*NE 1/4 already committed to a 7.0
well drilling now
1/15/79*



A DIVISION OF GULF OIL CORPORATION

January 4, 1980

Mr. Jack L. Cayias
27209 Cane Lane
Conroe, TX 77302

RE: Mesaverde Test Well
E $\frac{1}{2}$ Sec. 8, T-25-N, R-3-W
Rio Arriba County
NEW MEXICO

DentlMr, Cayias:

Confirming our phone conversation of today, you expressed that you were not interested in either participating or farming out in the proposed Test Well on the above acreage if price of gas sold was less than approximately \$3.00 per MCF.

Supron's acreage in SE $\frac{1}{4}$ of Section 8 is dedicated to the Gas Company of New Mexico under contract dated May 1, 1972. However, your interest under NE $\frac{1}{4}$ of Section 8 is not. The Joint Operating Agreement provides that a non-operator may take his share of production in kind, and therefore you could sell to a third party at any price you can get.

Therefore, we wish you would reconsider our proposal of October 25, 1979. If you need further information, please advise.

Yours very truly,

Gaby Bjerke
Landman

G3:ap

A.J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 230
ARTESIA, NEW MEXICO 88210

AREA CODE 506
746-3508

28 March 1980

IN RE DRILLING OPINION OF TITLE TO: United
States Oil and Gas Lease SF 079609, covering:

Township 25 North, Range 3 West, N.M.P.M.

No. 4859

Section 8: SE/4

containing 160 acres, more or less,

in Rio Arriba County, New Mexico.

McCroden "A-3" Well.

Supron Energy Corporation
Building V Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
APPLICANT'S EXHIBIT NO. 2
CASE NO. 6965

In connection with the title to the oil and gas lease covering the lands described in the caption hereof, we have examined the following:

1. Abstract of Title No. 31782 compiled by Federal Abstract Company, Santa Fe, New Mexico, containing 164 pages and tracing title to the captioned lease and lands from the Plat Book Records, Historical Index Records, Serial Record and Case File in the United States Land Office, Santa Fe, New Mexico, to October 1, 1979 at 10:00 A.M.
2. Abstract of Title No. 10408 compiled by Espanola Abstract Company, Inc., Espanola, New Mexico, containing 89 pages and tracing title to the mineral estate only from the records in the Offices of the County Clerk and Clerk of the District Court of Rio Arriba County, New Mexico, from the inception of the records to February 14, 1980 at 9:00 A.M.

From our examination of the foregoing, we report as follows:

I. TITLE:

1. Minerals. United States All
2. Oil and Gas Leasehold Estate.

United States . . . . .	.125 RI
Thomas J. McCroden, Trustee of the Clara B. McCroden Trust dated July 29, 1975 . . . . .	.025 ORI
*Paul S. Albright, whose wife is Laura Z. Albright . . . . .	.010 ORI
Supron Energy Corporation . . . . .	.840 WI

*Until \$25.00 per acre shall have been recovered from the captioned lands and NE/4, S/2 Section 9, Township 25 North, Range 3 West, whereupon this ORI shall reduce to .005 and the WI shall proportionately increase.

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date:	September 1, 1948
Serial No.:	SF 079609
Lessor:	United States
Original Lessee:	N. G. McCroden
Present Lessee:	Supron Energy Corporation
Lands Covered:	Captioned lands and other lands totaling 800 acres, more or less
Primary Term:	Five years, with right to extend for an additional five years
Rental:	50¢ per acre for the first lease year, no rental for the second and third lease years, 25¢ per acre for the fourth and fifth years, and 50¢ per acre for the sixth through tenth years
Minimum Royalty:	Commencing with the lease year beginning on or after a discovery, a minimum royalty of \$1.00 per acre or if there is production, the difference between the actual royalty paid and \$1.00 per acre, provided that on unitized leases the minimum royalty shall be payable only on the participating acreage
Royalty:	12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 C.F.R. 221

The primary term of this lease was extended until August 31, 1958. Annual rentals are shown as paid through August 31, 1957. A USGS memorandum notes the completion on July 7, 1956 of the No. "1-A" McCroden in the NE/4 NE/4 of Section 9, on other lands in the lease. This lease is now considered in a producing status and its royalty account is maintained by the USGS.

III. COMMENTS:

1. Surface Patent. By Letters Patent 999374 dated March 30, 1927, the United States conveyed the captioned lands and other lands to Tom H. Smith, and reserved the coal and other minerals in the lands so entered and patented. The oil and gas lessee's rights are dominant to the surface patentee's rights, but you will be required to compensate the surface owner for damages caused by your operations thereon.

2. Right of Reassignment. By assignment dated November 17, 1953, approved January 4, 1954, N. G. McCroden and Clara B. McCroden, his wife, conveyed the SE/4 and other lands to Paul S. Albright. In this assignment the assignee agreed not to surrender the lease without tendering to assignor a reassignment at least 120 days prior to the time for the payment of the next annual rental or the expiration of the lease in the event it may be extended or renewed other than by drilling operations. There is no provision limiting the liability of assignee for breach of this reassignment provision. You should set up your records to comply with its terms.

IV. REQUIREMENTS:

1. Royalty Account. As noted above, this is a producing lease and the status of its royalty account is not shown in the abstracts, for the same is maintained by the USGS. We should be furnished with a letter from the USGS setting forth the status of the royalty account on this lease and we have written for such a report.

2. Assignments Not Recorded in the County. The following assignments, although filed with and approved by the U. S. Land Office, have not been recorded in the County records: dated November 17, 1953, approved January 4, 1954, from N. G. McCroden et ux to Paul S. Albright; and dated January 1, 1961, approved April 1, 1961, from Paul S. Albright et al to Southern Union Production Company.

The filing with and approval by the U. S. Land Office of an assignment of a federal oil and gas lease, does not constitute notice to the world and does not protect the assignees in any such assignment from the rights of third parties claiming under the assignor.

An executed and acknowledged copy, or a copy certified by the U. S. Land Office, of each of the above assignments should be recorded in the County records in order that you may have the benefit of the constructive notice provisions of our recording statutes.

3. N. G. McCroden Estate. N. G. McCroden, the original lessee, reserved the .025 ORI we have credited to the Clara B. McCroden Trust. By assignment dated August 7, 1975, Clara B. McCroden, ancillary executrix of the estate of Noble Gardner McCroden, conveyed this ORI to Clara B. McCroden, widow and only heir at law. The assignment recites that the McCroden estate was probated in Lea County, New Mexico, District Court Case No. 35462. Proceedings on this estate are not shown in the material examined. In the event production is obtained, we should be furnished with this complete court file to determine that the proceedings were regular and properly conducted, and that Clara B. McCroden was the sole heir of N. G. McCroden, whom we have assumed to be the same person as Noble Gardner McCroden.

When the requirements hereinabove set forth have been satisfied, we will be in a position to approve title, for drilling purposes, to the lease and lands described in the caption hereof, on the date to

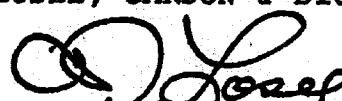
Supron Energy Corporation

No. 4859

which the abstracts were last certified, in accordance with the ownership schedule set forth in I above.

Respectfully submitted,

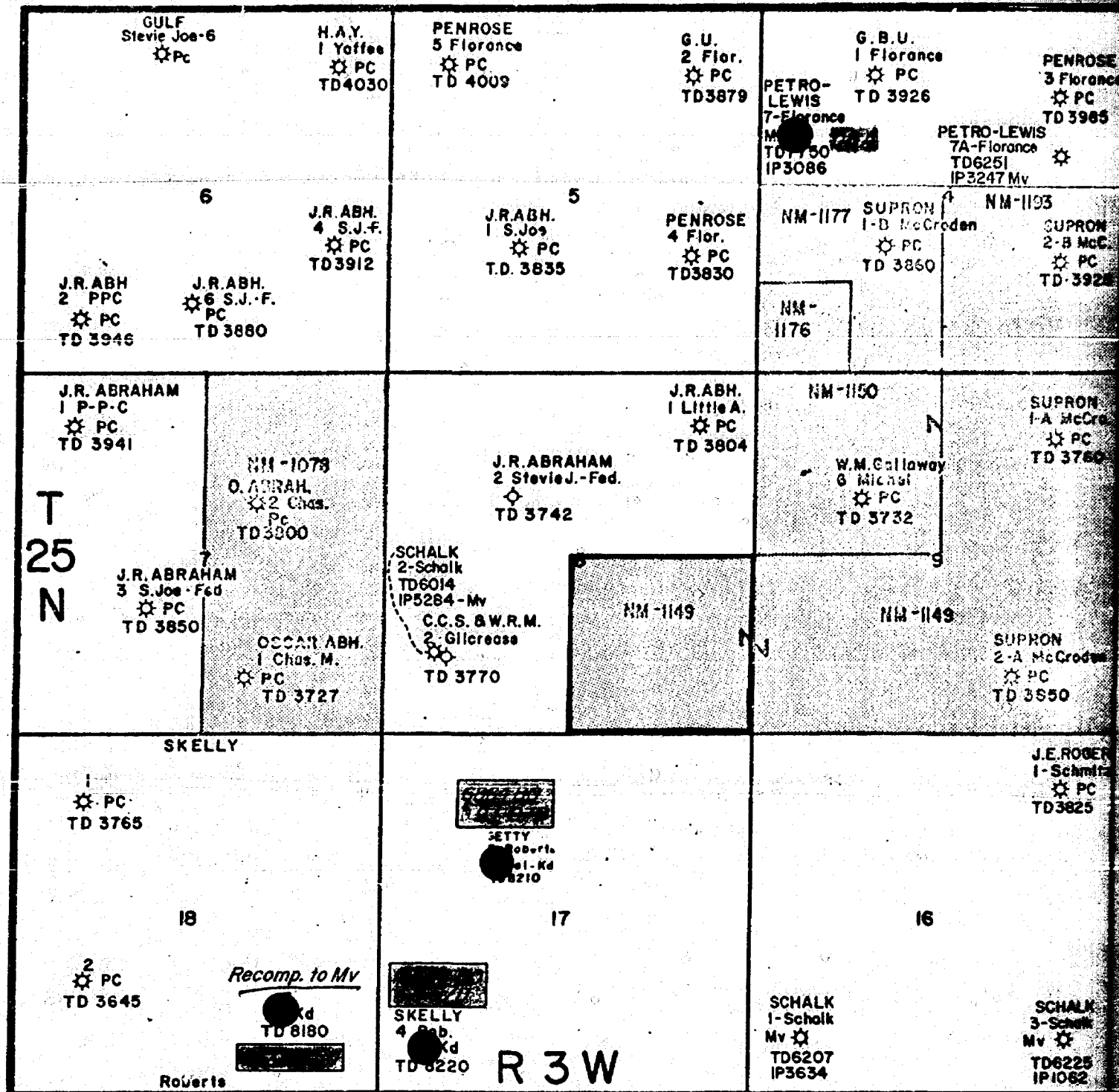
LOSEE, CARSON & DICKERSON, P.A.

A handwritten signature in dark ink, appearing to read "A. J. Losee", with a stylized flourish at the end.

A. J. Losee

AJL:jcb

Abstracts returned herewith.



● OFFSET DAKOTA WELLS

CUMMULATIVE PROD. TO 4/1/80

CURRENT PRODUCTION RATE

Supron Energy Corporation

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

SUPRON EXHIBIT NO. 4

CASE NO. 6965

DATE: _____ SCALE: _____

FEDERAL ABSTRACT COMPANY

P. O. BOX 1661

SANTA FE, NEW MEXICO

RED - STATE LAND

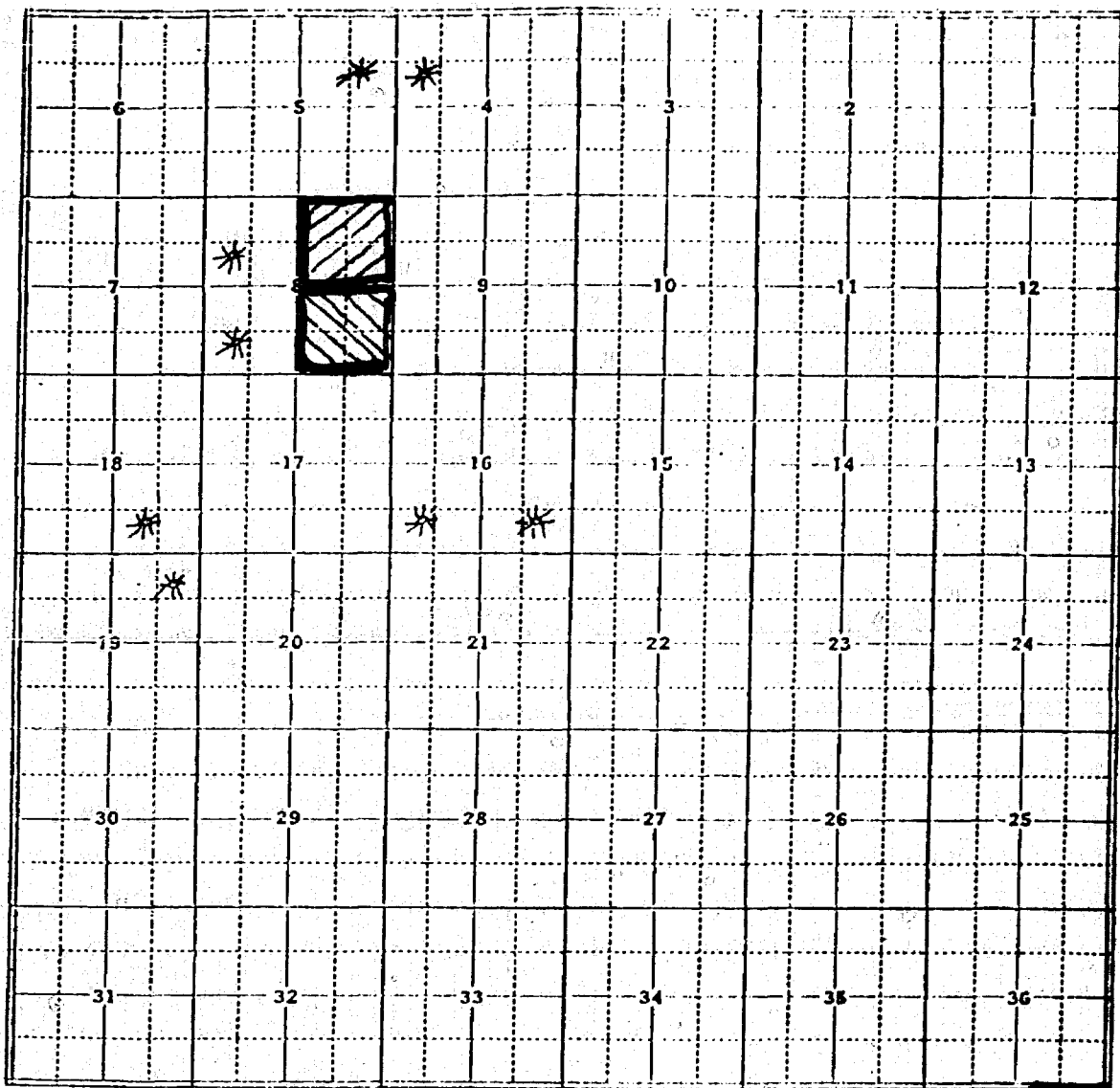
BLUE - FEE LAND

TWP. 25N RGE. 3W N.M.P.M.

Rio Arriba

COUNTY

DATE July 9, 1980



MESA VERDE



C. J. Little 1/2 Schalk 1/2



Supron

BEFORE EXAMINER NUTTER

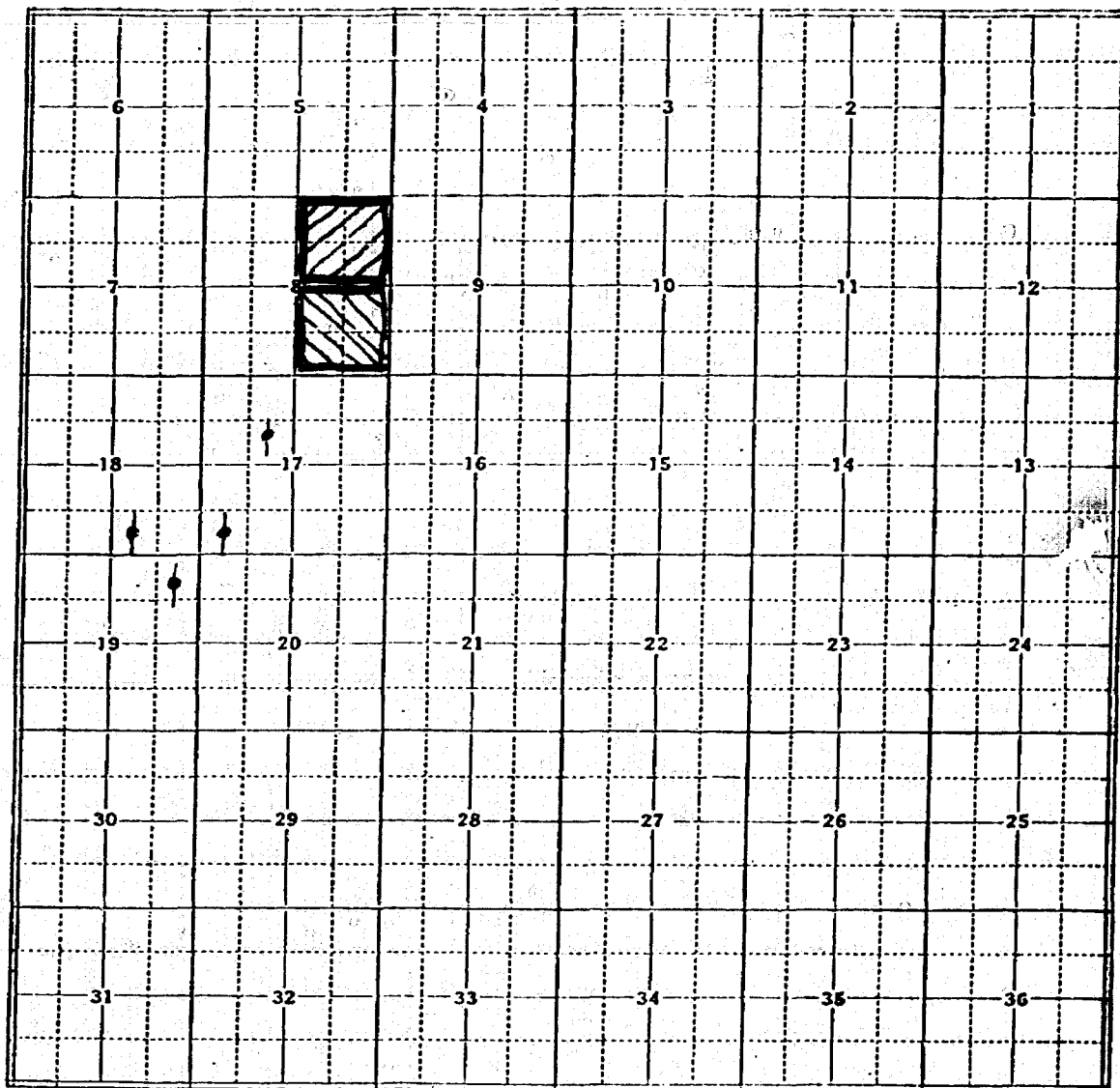
OIL CONSERVATION DIVISION

Little EXHIBIT NO. 1

CASE NO. 6965

FEDERAL ABSTRACT COMPANY
P. O. BOX 1621
SANTA FE, NEW MEXICO
RED - STATE LAND
BLUE - FEE LAND

TWP. 25N RGE. 3W N.M.P.M.
Rio Arriba COUNTY
DATE July 9, 1980



BASE OF MESAVERDE TO BASE OF DAKOTA FORMATION



C. J. Little 1/2 - Gulf 1/2

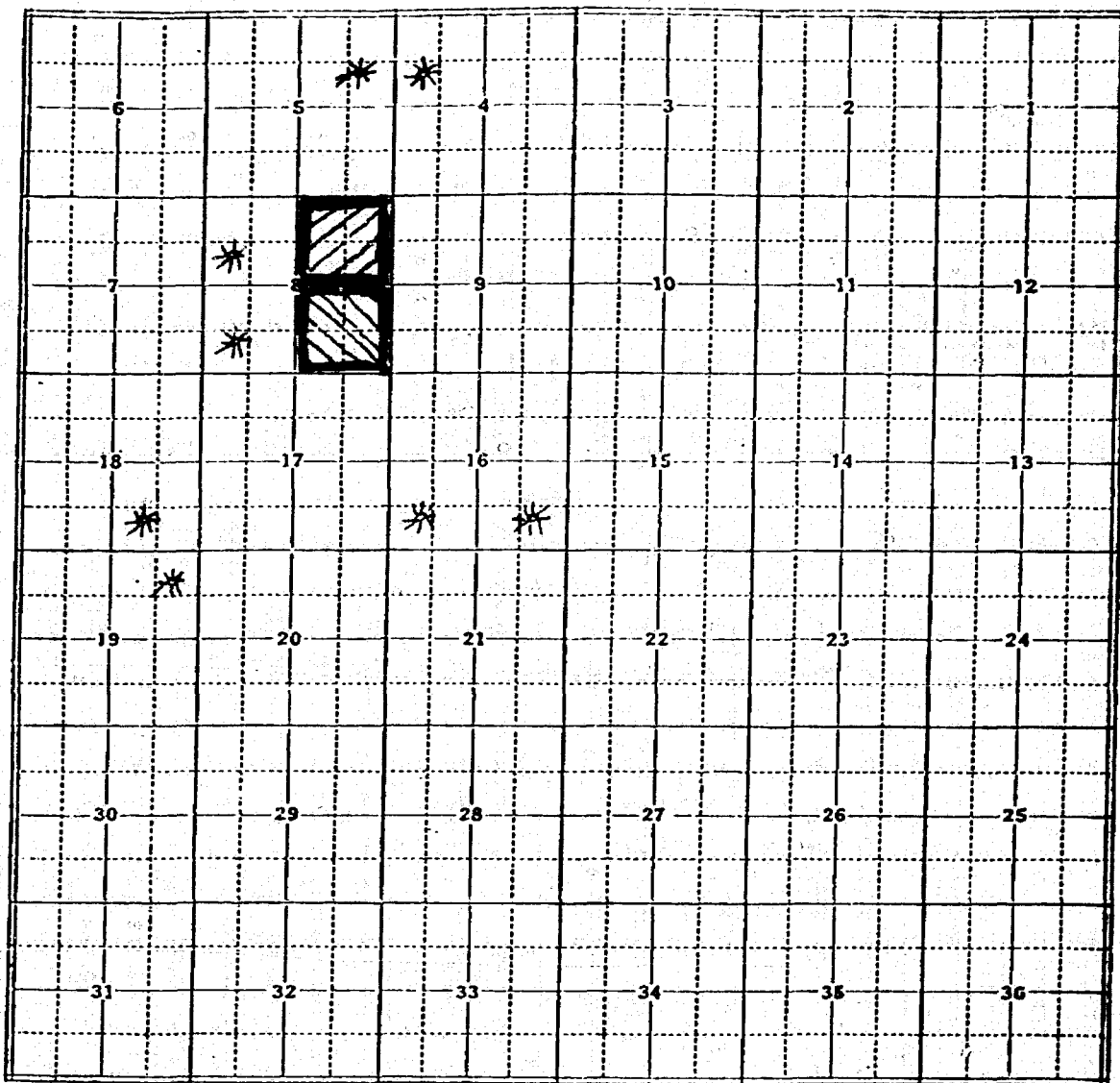


Supron

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Little EXHIBIT NO. 2
CASE NO. 6965

FEDERAL ABSTRACT COMPANY
P. O. BOX 1681
SANTA FE, NEW MEXICO
RED - STATE LAND
BLUE - FEE LAND

TWP. 25N RGE. 3W N.M.P.M.
Rio Arriba COUNTY
DATE July 9, 1980



MESAVERDE



C. J. Little 1/2 Schalk 1/2



Supron

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Little EXHIBIT NO. 1
CASE NO. 6965

FEDERAL ABSTRACT COMPANY

P. O. BOX 1621

SANTA FE, NEW MEXICO

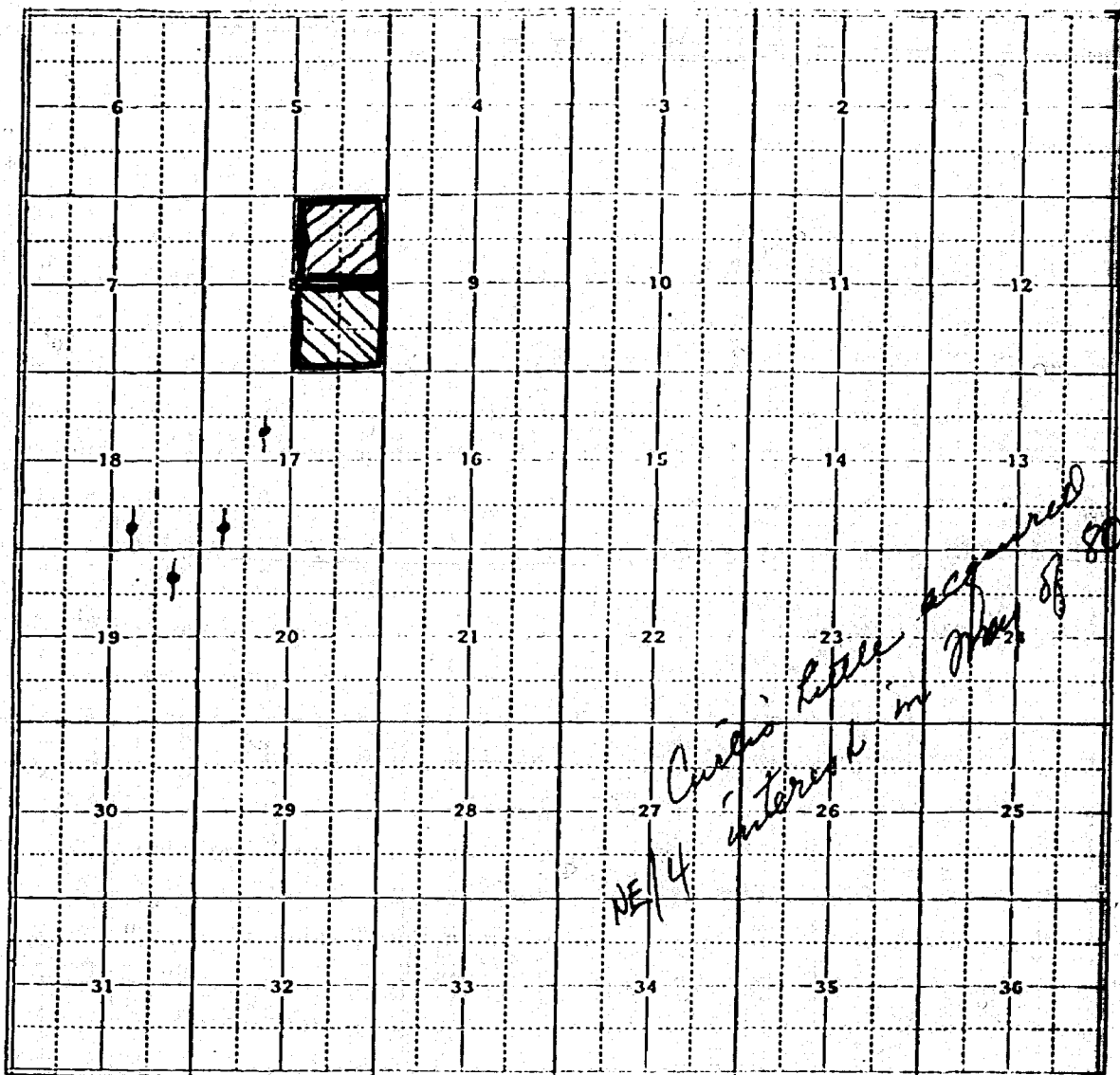
RED - STATE LAND

BLUE - FEE LAND

TWP 25N RGR 3W N.M.P.M.

Rio Arriba COUNTY

DATE July 9, 1980



BASE OF MESAVERDE TO BASE OF DAKOTA FORMATION



C. J. Little 1/2 - Gulf 1/2



Supron

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Little EXHIBIT NO. 2
CASE NO. 6965

FEDERAL ABSTRACT COMPANY

P. O. BOX 1681

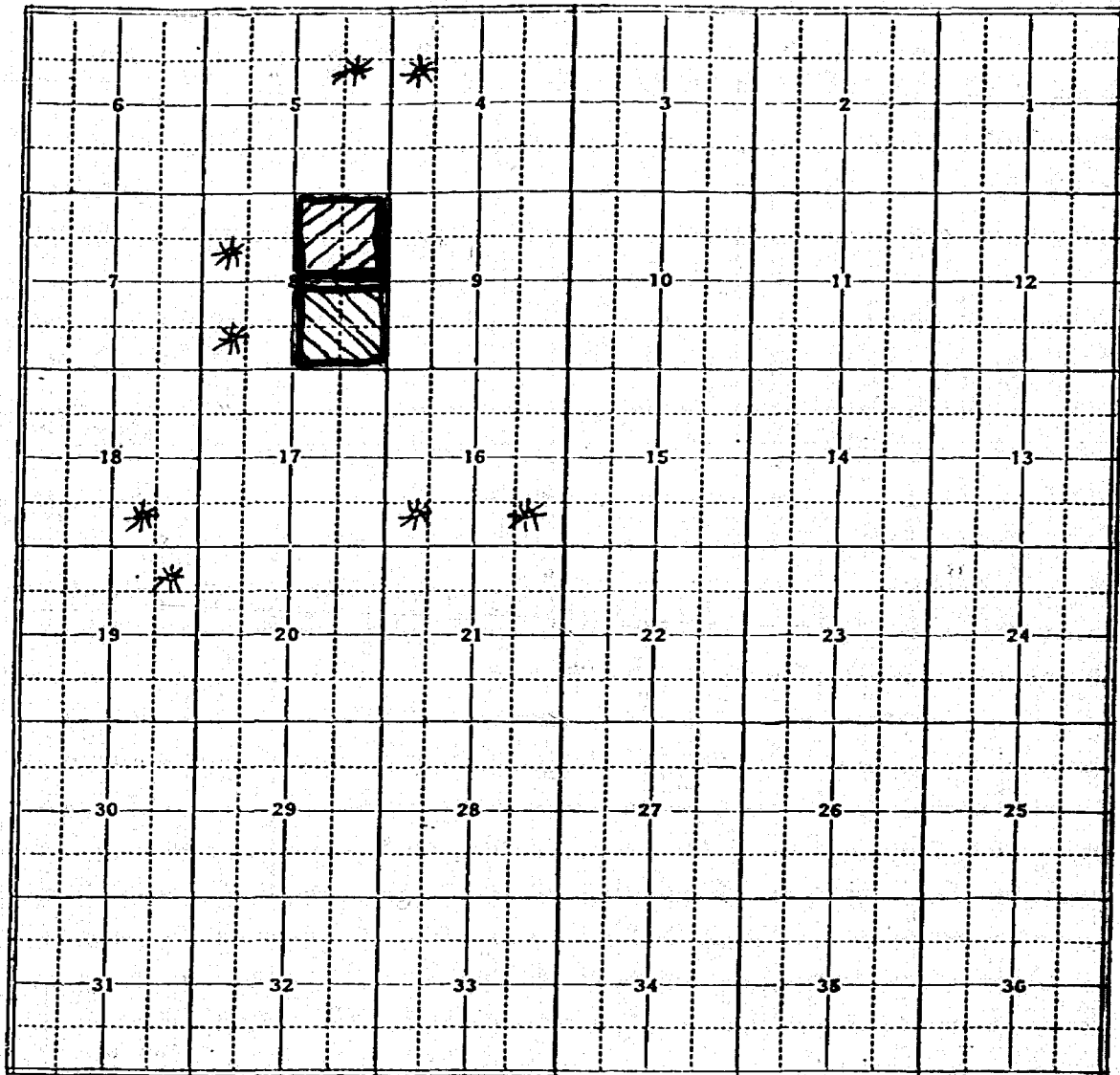
SANTA FE, NEW MEXICO

RED - STATE LAND
BLUE - FEE LAND

TWP. 25N RGE. 3W N.M.P.M.

Rio Arriba COUNTY

DATE July 9, 1980



MESAVERDE



C. J. Little 1/2 Schalk 1/2



Supron

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Little EXHIBIT NO. 1
CASE NO. 6965

FEDERAL ABSTRACT COMPANY

P. O. BOX 1621

SANTA FE, NEW MEXICO

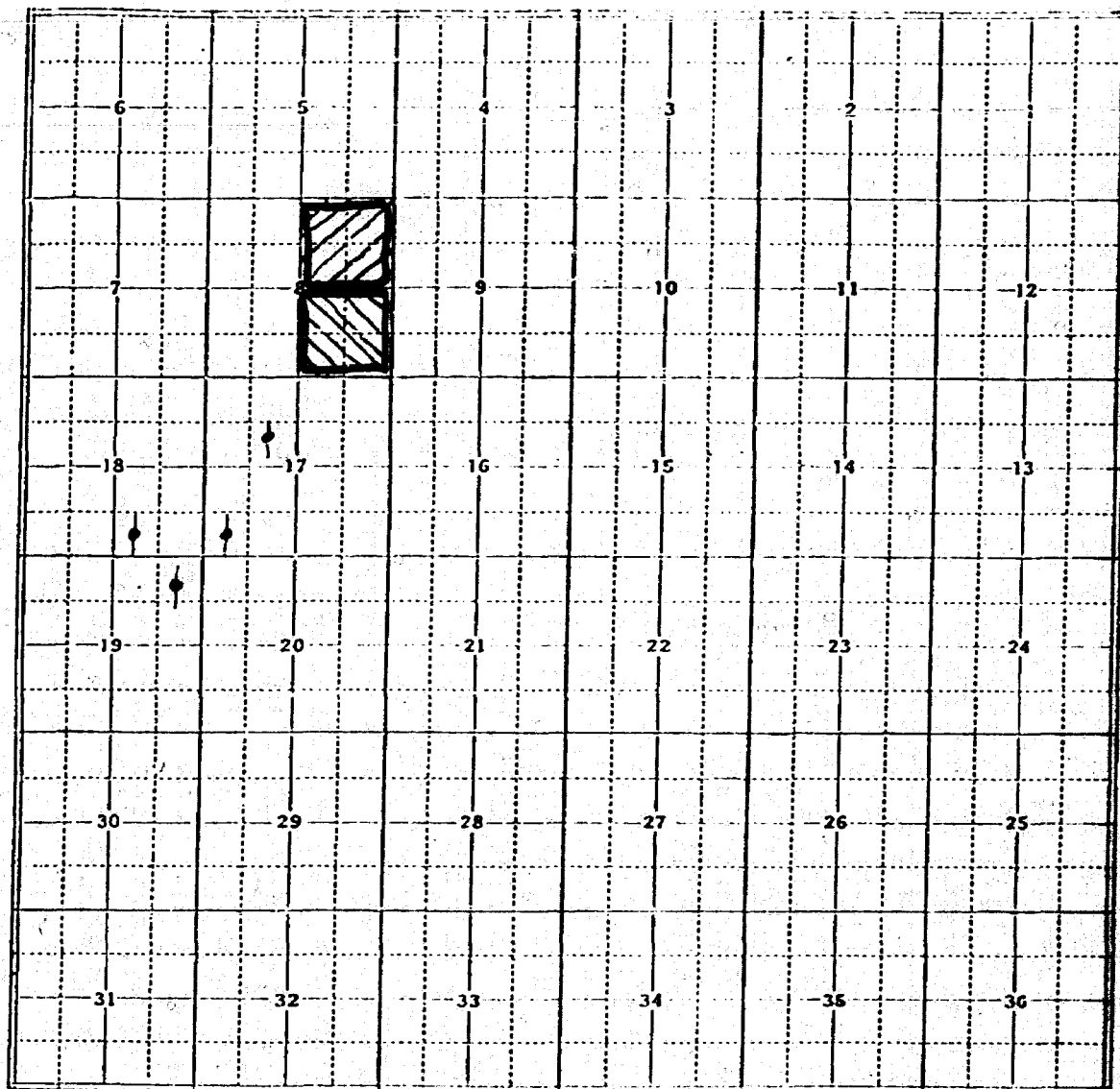
RED - STATE LAND

BLUE - FEE LAND

TWP. 25N REF. 3W N.M.P.M.

Rio Arriba COUNTY

DATE July 9, 1980



BASE OF MESAVERDE TO BASE OF DAKOTA FORMATION



C. J. Little 1/2 - Gulf 1/2



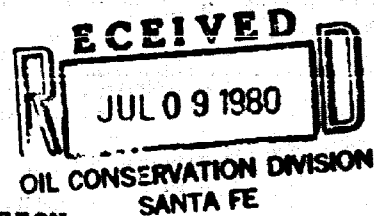
Supron

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

Little EXHIBIT NO. *2*

CASE NO. *6965*



BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF SUPRON ENERGY CORPORA-
TION FOR A NON-STANDARD PRORATION
UNIT, RIO ARRIBA COUNTY, NEW MEXICO.

Case 6965

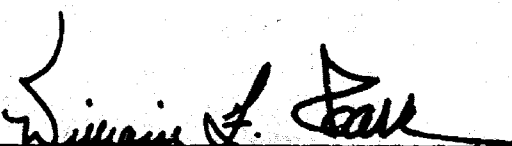
AMENDED APPLICATION

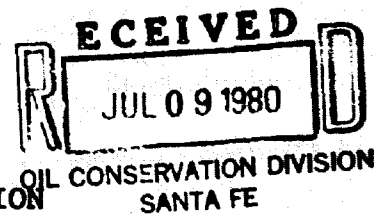
Comes now SUPRON ENERGY CORPORATION, by its undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of a 160 acre non-standard gas proration unit, Blanco Mesaverde and Dakota Formations, Rio Arriba County, New Mexico, and in support of its application states:

1. Applicant is the operator of the SE/4 of Section 8, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Blanco Mesaverde and Dakota Formations comprising the SE/4 of said Section 8.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the SE/4 of said Section 8.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as required by law, the Division enter its Order approving the application.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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



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

APPLICATION OF SUPRON ENERGY CORPORA-
TION FOR A NON-STANDARD PRORATION
UNIT, RIO ARriba COUNTY, NEW MEXICO.

Case 6965

AMENDED APPLICATION

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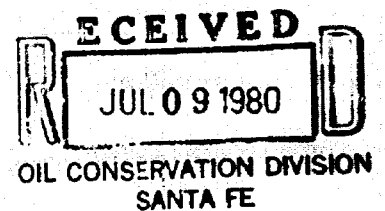
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Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

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



APPLICATION OF SUPRON ENERGY CORPORA-
TION FOR A NON-STANDARD PRORATION
UNIT, RIO ARriba COUNTY, NEW MEXICO.

Case 6965

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Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

- CASE 6958:** Application of Kenai Oil and Gas, Inc. for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Seven Rivers and Artesia Queen-Crayburg-San Andres production in the wellbore of its Gulf State Well No. 1 located in Unit K of Section 36, and its Cobb Federal Well No. 2 located in Unit H of Section 22, both in Township 18 South, Range 27 East, Artesia Pool. Applicant further seeks an administrative procedure whereby similar commingling could be approved for other wells to be drilled in the NE/4 and S/2 NW/4 of said Section 22.
- CASE 6959:** Application of Great Western Drilling Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 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 6960:** Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Strawn formation underlying the S/2 SE/4 of Section 13, Township 16 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 6950:** (Continued from June 25, 1980, Examiner Hearing)
Application of Bass Enterprises Production 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 Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.
- CASE 6961:** Application of Conoco Inc. for a dual completion and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Meyer A-29 Well No. 11 to be drilled at an unorthodox location 990 feet from the North line and 660 feet from the East line of Section 29, Township 22 South, Range 36 East, to produce gas from the Langley-Devonian and -Ellenburger Pools thru parallel strings of tubing, the E/2 of said Section 29 to be dedicated to the well.
- CASE 6962:** Application of BTA Oil Producers for special pool rules and pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of Special Pool Rules for the North Bell Lake-Devonian Gas Pool to provide for 640-acre spacing and specified well locations. Applicant also seeks the extension of said pool to include all of Sections 6, 7, and 18, Township 23 South, Range 34 East.
- CASE 6896:** (Continued from June 25, 1980, Examiner Hearing)
Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.
- CASE 6965:** Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.
- CASE 6966:** Application of Reading & Bates Petroleum Co. for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, Chacon Field, 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 6942:** (Continued from June 25, 1980, Examiner Hearing)
Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the N/2 of Section 1, Township 24 North, Range 1 West, and also that the short 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.

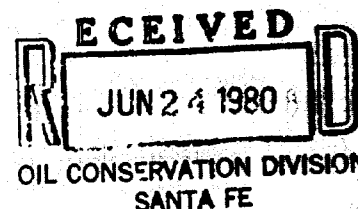
CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 986-4481

June 24, 1980



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

Case 6965

Re: Application of Supron Energy Corporation for
a Non-Standard Proration Unit, Rio Arriba
County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Supron Energy 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 July 9, 1980.

Very truly yours,

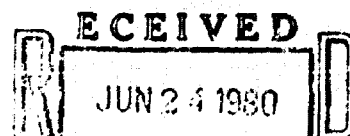
A handwritten signature in cursive script, appearing to read "William F. Carr".

William F. Carr

WFC:lr

Enclosures

cc: Mr. William S. Jameson



BEFORE THE
OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION
SANTA FE

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF SUPRON ENERGY CORPORA-
TION FOR A NON-STANDARD PRORATION
UNIT, RIO ARriba COUNTY, NEW MEXICO.

CASE 6965

APPLICATION

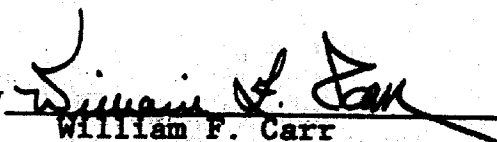
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1. Applicant is the operator of the SE/4 of Section 8, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of said Section 8.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the SE/4 of said Section 8.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as required by law, the Division enter its Order approving the application.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By

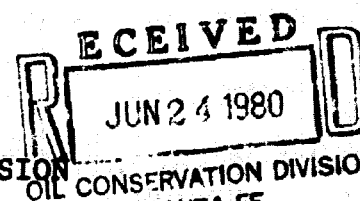


William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS



APPLICATION OF SUPRON ENERGY CORPORATION FOR A NON-STANDARD PRORATION UNIT, RIO ARriba COUNTY, NEW MEXICO.

CASE 6965

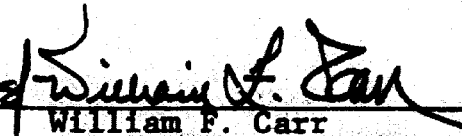
APPLICATION

Comes now SUPRON ENERGY CORPORATION, by its undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of a 160 acre non-standard gas proration unit, Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, and in support of its application states:

1. Applicant is the operator of the SE/4 of Section 8, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the SE/4 of said Section 8.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the SE/4 of said Section 8.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as required by law, the Division enter its Order approving the application.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

RECEIVED
JUN 24 1980
SANTA FE

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

APPLICATION OF SUPRON ENERGY CORPORATION FOR A NON-STANDARD PRORATION UNIT, RIO ARRIBA COUNTY, NEW MEXICO.

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Respectfully submitted,
CAMPBELL AND BLACK, P.A.

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

Called in by Bill Carr
June 20, 1980

Dupron Energy Corporation
Non-Standard Proration Unit

160 acres

SE14 of Sec. 8, T 25N, R 3W

Rio Arriba County

Mesaverde, Pictured Cliffs, and
Wakota

ROUGH

dr/

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. 6965

Order No. R-6497

APPLICATION OF SUPRON ENERGY
CORPORATION FOR A NON-STANDARD
GAS PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9
19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of October, 19 80, 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, Supron Energy Corporation, is the
owner of all working interest rights in the Mesaverde formation
underlying the SE/4 of Section 8, Township 25 North, Range 3
West, NMPM, Rio Arriba County, New Mexico, and proposes the
establishment of a 160-acre non-standard gas proration unit in
the Blanco Mesaverde Pool comprising said lands to be dedicated to a
well it proposes to drill at a standard location thereon.

(3) That the applicant in Case No. 6896, John E. Schalk, proposes the establishment of a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the NE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to be dedicated to a well he proposes to drill at a standard location thereon.

(4) That by Order No. R-1670-T, dated November 14, 1972 the Division authorized the drilling of a second well on each 320-acre Blanco Mesaverde proration unit, thereby creating in effect a 160-acre spacing pattern for said pool.

(5) That the W/2 of Section 8 comprises a 320-acre Blanco Mesaverde gas proration unit; and has dedicated thereto two wells, one in the NW/4 of the section and the other in the SW/4 of the section.

(6) That approval of the subject application, together with the application in Case No. 6896, to form two 160-acre non-standard units in the E/2 of Section 8 would authorize the full development of the E/2 of Section 8 by the drilling of two wells thereon, and would save the administrative overhead and legal expense which would be required by the communitization of the NE/4 and SE/4 of the section to form a single 320-acre unit to be dedicated to two wells.

(7) That approval of the application in this case will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Supron Energy Corporation, is hereby granted approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, NMPM, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

(2) 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.