

CASE 7205: SUPPLY ENERGY CORPORATION
FOR A NON-STANDARD GAS PRODUCTION UNIT,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO.

7205

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Supron Energy Corpora-)
tion for a non-standard gas proration)
unit, San Juan County, New Mexico.)

CASE
7205

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

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

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

2

I N D E X

GUDBRAND BJERKE

Direct Examination by Mr. Carr	3
Cross Examination by Mr. Nutter	7

JERRY LEE

Direct Examination by Mr. Carr	10
Cross Examination by Mr. Nutter	15
Questions by Mr. Chavez	16

E X H I B I T S

Applicant Exhibit One, Title Examination	5
Applicant Exhibit Two, Correspondence	7
Applicant Exhibit Three, Plat	11

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

MR. NUTTER: We'll call next Case Number
7205.

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

MR. CARR: May it please the Examiner,
my name is William F. Carr, with the law firm Campbell, Byrd,
and Black, P. A., Santa Fe, New Mexico, appearing on behalf
of the applicant.

I have two witnesses who need to be
sworn.

(Witnesses sworn.)

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. Would you state your full name and
place of residence?

A. My name is Gudbrand Bjerke. I'm employed
by Supron Energy Corporation in Dallas. The address is 10300

1
2 North Central Expressway, 75231.

3 Q In what capacity are you employed?

4 A I'm employed as a landman.

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

8 A Yes, sir.

9 Q Are you familiar with the application
10 in this case?

11 A Yes, sir.

12 Q Are you familiar with the subject lands?

13 A Yes, sir.

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

16 MR. NUTTER: They are.

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

19 A Supron is trying to drill a Mesaverde
20 test in Section -- the east half of Section 35, Township 31
21 North, Range 12 West.

22 Q And are you seeking a non-standard
23 proration unit for that well?

24 A Yes, sir.

25 Q And what acreage will be included

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

within that non-standard unit?

A. The acreage for the non standard unit will be the northeast quarter of Section 35.

Q. What is Supron's interest in the north east quarter?

A. It has full interest.

Q. You have 100 percent working interest?

A. 100 percent working interest.

Q. is this a Federal, State, or fee lease?

A. This is a fee lease.

Q. What is the present status of the title on the southeast quarter of Section 35? At this time if you would refer to Exhibit Number One, identify this, and review that in answering.

A. Exhibit Number One is a title examination, which shows the ownership in the southeast quarter and the working interest in the southeast quarter is now by Brooks Exploration, but it is a 50 percent reversionary interest in it with a number of owners that will keep coming after the payout.

Mr. Brooks is not willing to take -- to join us in drilling the well because he would spend fifty percent of the cost and only get 17-1/2 percent of the proceeds from production in this well.

1
2 Q Once these interests revert, is it
3 possible to ascertain exactly who will be holding interest
4 in the southeast quarter?

5 A The title opinion is such that we are
6 not quite sure who has got the interest. It is over-conveyed
7 and in several instances there are strangers in the title that
8 we do not know how they got in there or anything about it.

9 Q Would compulsory pooling be a viable
10 alternative to Supron at this time?

11 A It will take a lot of legal work to
12 quiet title suits and try to find the interest owners that we
13 don't even have addresses on.

14 Q Are you familiar with Supron's plans
15 for drilling this proposed well?

16 A Yes, sir.

17 Q How soon does Supron propose to drill?

18 A As soon as we can get an approval, be-
19 cause we have a rig available at this time to drill a Mesa-
20 verde test in the northeast quarter of Section 35.

21 Q Mr. Bjerke, what effort have you made
22 to develop the east half of Section 35 as a standard unit?

23 A None.

24 Q Have you corresponded with the owners
25 of the southeast and proposed a standard unit?

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

A I have.

Q And are those letters marked for identification as your Exhibit Number Two?

A I think that that's -- yes, sir.

Q And are there wells on the proposed unit at this time?

A There is a Dakota well on the proposed -- in the east half at the present time.

Q And it is a single completion in the Dakota?

A It's a single completion in the Dakota.

Q Were Exhibits One and Two prepared by you?

A Yes, sir.

MR. CARR: At this time, Mr. Nutter, we would offer into evidence Applicant's Exhibits One and Two.

MR. NUTTER: Applicant's Exhibits One and Two will be admitted in evidence.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Now, Mr. Bjerke, which well were you

1
2 talking about that's a single completion in the Dakota?

3 A It's the Rawson No. 1. It's in the
4 east half of Section 35, 31 North, 12 West.

5 Q Now it's not shown on the exhibit,
6 Exhibit Number Three, then, is it?

7 A No.

8 Q Or you're not even to Exhibit Number
9 Three.

10 A No, not yet.

11 Q That's the only map I have, I've been
12 looking at.

13 Now, what is the name of the well that
14 you're proposing to drill?

15 A The Rawson No. 1-E.

16 Q I see, but the name of the existing
17 well is the Rawson No. 1.

18 A That's right.

19 Q Now, there's numerous owners in the east
20 half but there's more complexity to the ownership on just a
21 portion of the southeast quarter, being the east half of the
22 southeast quarter, is that it that's where the complications
23 come in?

24 A The whole, the whole southeast quarter
25 is complicated. The only one that's clean is the northeast

1
2 quarter of Section 35, because we have got the full ownership.

3 Q I see.

4 A And the title opinion will show the com
5 plexity of the ownership in the southeast quarter of Section
6 35.

7 Q Okay, so by getting this non-standard
8 unit you wouldn't have to go through voluntary communitization
9 or a compulsory pooling --

10 A That is right.

11 Q -- case in order to get a unit there.
12 But the well that's being proposed will be a Mesaverde well.

13 A That is right.

14 Q Now, what's dedicated to that Dakota
15 well at the present time?

16 A The east half of Section 35.

17 Q I see, well, how was it drilled with
18 all these complex lease situations?

19 A At the time that this well was drilled
20 it was one by the name of Carl Knoll; had three leases, and
21 he signed the operating agreement as owner of the lease. Then
22 he assigned his interest to -- through some assignments that
23 ended up as Brooks Exploration, and he retained a fifty per-
24 cent reversionary interest.

25 Later on he traded that interest to

anybody and everybody and we don't know where the people are and we had tried to get in contact with --

Q So all of this was split up and divided and sold and handed out after the Dakota well was drilled, then.

A That's right.

Q Oh, I see, and you don't want to get into that problem with your Mesaverde well.

A No, sor.

Q I see.

MR. NUTTER: Are there any further questions of Mr. Bjerke? He may be excused.

MR. CARR: I'd call Mr. Lee.

JERRY LEE

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 and place of residence?

A Jerry Lee. I reside in Dallas, Texas.

Q By whom are you employed and in what capacity?

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

A. I'm a drilling and production engineer
for Supron Energy Corporation at Dallas.

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

A. I have.

Q. Are you familiar with the application of
Supron in this case and the subject acreage?

A. I am.

MR. CARR: Are the witness qualifications
acceptable?

MR. HUTTER: They are.

Q. Will you please refer to what has been
marked as Supron Energy Corporation Exhibit Number Three and
review this for the Examiner?

A. Exhibit Three is a plat showing Supron's
proposed non-standard spacing unit for a Mesaverde test in the
northeast quarter of Section 35, Township 31 North, Range 12
West, San Juan County.

The plat also shows the current existing
offset producing Mesaverde wells and the cumulative production
through November of 1980 for these wells.

The plat shows only the Mesaverde wells
in this area. There are Dakota wells and as has been previously
mentioned by Mr. Djerke, there is a Dakota well in the north-

1
2 east quarter of Section 35, existing well, the spacing unit
3 being the east half of Section 35.

4 MR. NUTTER: Well, wait a minute, he
5 said the southeast quarter.

6 A The well is in the northeast quarter.

7 MR. NUTTER: It is in the northeast
8 quarter, okay.

9 Q Mr. Lee, what is the standard spacing
10 for Mesaverde wells in this area?

11 A The standard spacing is 320 acres.

12 Q Has infill drilling been approved for
13 the pool?

14 A Yes it is, this is the Blanco Mesaverde
15 Pool and the infill has been approved for the Blanco Mesaverde.

16 MR. CARR: We would ask that the Com-
17 mission take notice of Oil Conservation Division Order R-1670T,
18 which provides for infill drilling in this pool.

19 MR. NUTTER Administrative notice will
20 be taken.

21 Q Mr. Lee are you familiar with this
22 order?

23 A Yes, I am.

24 Q Would you state -- summarize briefly
25 what it provides?

1
2 A Essentially the order provides that one
3 well per 320 acres in the Blanco Mesaverde Pool will not ade-
4 quately drain and therefor a second well was authorized for
5 each 320-acre unit.

6 Q In your opinion will the proposed well
7 drain adjoining properties in the Mesaverde?

8 A No, it will not.

9 Q In your opinion is a Mesaverde well in
10 the northeast quarter of Section 35 necessary to drain the
11 Mesaverde reserves which underlie that 160-acre tract?

12 A Yes, it is. This is essentially what
13 the order approving the infill program did, was state that
14 two wells per 320, or one well per 160. are necessary to
15 effectively drain the reservoir.

16 Q Is the Mesaverde prorated?

17 A Yes, it is.

18 Q Will this non-standard proration unit
19 affect the well's allowable?

20 A Yes, it will. It will reduce the
21 allowable by virtue of the reduced spacing.

22 Q And you are proposing to drill at a
23 standard location is that correct?

24 A That is correct, a standard location
25 in the northeast quarter.

Q I believe Mr. Djerke has stated that you plan to spud the well in the immediate future?

A That is correct. We currently have a rig active in this area of the basin, which should receive approval in the near future, we would drill this well immediately.

Should we be delayed, we may have to release the rig and then try to acquire another rig at some time in the future.

Q In your opinion will granting this application impair the correlative rights of any other interest owner in the area?

A It will not.

Q Will approval of this application be in the best interest of conservation and the prevention of waste?

A It will.

Q Was Exhibit Number Three prepared by you?

A Yes, it was.

MR. CARR: At this time, Mr. Nutter, we would offer Supron's Exhibit Number Three into evidence.

MR. NUTTER: Supron Exhibit Three will be admitted in evidence.

1
2 MR. CARR: I have nothing further of Mr.
3 Lee on direct.
4

5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Lee, now, the west half of Section
8 35 is not developed in the Mesaverde, is it?

9 A No, sir, it is not.

10 Q How about the Dakota?

11 A I'm not sure whether the Dakota is in
12 the west half or not. The Dakota production in this area is
13 extremely marginal and as we have no interest in the west half
14 I'm just not sure what it was.

15 Originally we had proposed to drill our
16 well as a -- to Brooks Exploration as a dual Dakota Mesaverde
17 in the southeast quarter in a communitized 320-acre unit, and
18 then we discovered these problems with the acreage.

19 The Dakota, if drilled in this area, in
20 my opinion will have to be drilled in conjunction with the
21 Mesaverde, because it's uneconomic to drill otherwise.

22 Q And it would be infill well for the
23 Dakota.

24 A That is correct. The infill for the
25 Dakota would be the southeast quarter, and it could, of course,

1
2 be drilled in conjunction with a Mesaverde in that quarter at
3 some time in the future.

4 Q And Supron doesn't have any ownership
5 in the west half of Section 35?

6 A No, sir, we do not.

7 MR. NUTTER: Are there any further
8 questions of Mr. Lee? He may be excused.

9 MR. CHAVEZ: Yes, sir, I have.

10 MR. NUTTER: Oh, Mr. Chavez?

11
12 QUESTIONS BY MR. CHAVEZ:

13 Q Okay, the present Dakota well in the
14 east half is located in the northeast quarter?

15 A It's in the northeast quarter that's
16 correct.

17 Q But it is feasible to drill a Mesaverde
18 single in the northeast quarter but not drill a Dakota single
19 in the southeast quarter.

20 A That's -- in my opinion it would be not
21 infeasible to drill a Dakota single in the southeast quarter.
22 that's correct. A Mesaverde single in the northeast quarter
23 would be economic.

24 The Mesaverde-Dakota dual, which could
25 later be drilled in the southeast quarter, would also be

1
2 economic but only by virtue of the fact that the Mesaverde
3 would make it that way. The additional cost of going below
4 the Mesaverde would be minimal as compared to drilling a well
5 to the Dakota alone in the southeast quarter.

6 Q And was the reason for choosing an east
7 half dedication instead of a north half dedication because
8 you did have some interest in the southeast quarter?

9 A That is -- well, we have no interest in
10 the southeast quarter, but we are committed to an east half
11 unit on the Dakota.

12 The reason that we would prefer to leave
13 it only as an east half unit is to permit us at some time in
14 the future, provided the title problems can be cured, to
15 drill jointly with Brooks Exploration a dual Dakota-Mesaverde
16 in the southeast quarter. We would have no interest in the
17 Mesaverde but we would have a retained interest in the Dakota
18 by virtue of the existing spacing unit.

19 Q Okay.

20 MR. CHAVEZ: That's all I have.

21 MR. NUTTER: Are there any other ques-
22 tions of the witness? He may be excused.

23 Do you have anything further, Mr. Carr?

24 MR. CARR: Nothing further, Mr. Nutter.

25 MR. NUTTER: Does anyone have anything

1

2

they wish to offer in Case Number 7205?

3

We'll take the case under advisement.

4

5

(Hearing concluded.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil 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 CSR.

I do hereby certify that the foregoing is
a correct and true copy of the proceedings in
the case of 7205
held on 2/25 81

[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Supron Energy Corpora-)
tion for a non-standard gas proration)
unit, San Juan County, New Mexico.)

CASE
7205

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

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

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

I N D E X

GUDBRAND BJERKE

Direct Examination by Mr. Carr	3
Cross Examination by Mr. Nutter	7

JERRY LEE

Direct Examination by Mr. Carr	10
Cross Examination by Mr. Nutter	15
Questions by Mr. Chavez	16

E X H I B I T S

Applicant Exhibit One, Title Examination	5
Applicant Exhibit Two, Correspondence	7
Applicant Exhibit Three, Plat	11

1
2 MR. NUTTER: We'll call next Case Number
3 7205.

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

7 MR. CARR: May it please the Examiner,
8 my name is William F. Carr, with the law firm Campbell, Byrd,
9 and Black, P. A., Santa Fe, New Mexico, appearing on behalf
10 of the applicant.

11 I have two witnesses who need to be
12 sworn.

13
14 (Witnesses sworn.)

15
16 GUDBRAND BJERKE
17 being called as a witness and being duly sworn upon his oath,
18 testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Would you state your full name and
23 place of residence?

24 A. My name is Gudbrand Bjerke. I'm employed
25 by Supron Energy Corporation in Dallas. The address is 10300

1
2 North Central Expressway, 75231.

3 Q In what capacity are you employed?

4 A I'm employed as a landman.

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

8 A Yes, sir.

9 Q Are you familiar with the application
10 in this case?

11 A Yes, sir.

12 Q Are you familiar with the subject lands?

13 A Yes, sir.

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

16 MR. NUTTER: They are.

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

19 A Supron is trying to drill a Mesaverde
20 test in Section -- the east half of Section 35, Township 31
21 North, Range 12 West.

22 Q And are you seeking a non-standard
23 proration unit for that well?

24 A Yes, sir.

25 Q And what acreage will be included

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

within that non-standard unit?

A. The acreage for the non-standard unit will be the northeast quarter of Section 35.

Q. What is Supron's interest in the northeast quarter?

A. It has full interest.

Q. You have 100 percent working interest?

A. 100 percent working interest.

Q. is this a Federal, State, or fee lease?

A. This is a fee lease.

Q. What is the present status of the title on the southeast quarter of Section 35? At this time if you would refer to Exhibit Number One, identify this, and review that in answering.

A. Exhibit Number One is a title examination, which shows the ownership in the southeast quarter and the working interest in the southeast quarter is now by Brooks Exploration, but it is a 50 percent reversionary interest in it with a number of owners that will keep coming after the payout.

Mr. Brooks is not willing to take -- to join us in drilling the well because he would spend fifty percent of the cost and only get 17-1/2 percent of the proceeds from production in this well.

1
2 Q Once these interests revert, is it
3 possible to ascertain exactly who will be holding interest
4 in the southeast quarter?

5 A The title opinion is such that we are
6 not quite sure who has got the interest. It is over-conveyed
7 and in several instances there are strangers in the title that
8 we do not know how they got in there or anything about it.

9 Q Would compulsory pooling be a viable
10 alternative to Supron at this time?

11 A It will take a lot of legal work to
12 quiet title suits and try to find the interest owners that we
13 don't even have addresses on.

14 Q Are you familiar with Supron's plans
15 for drilling this proposed well?

16 A Yes, sir.

17 Q How soon does Supron propose to drill?

18 A As soon as we can get an approval, be-
19 cause we have a rig available at this time to drill a Mesa-
20 verde test in the northeast quarter of Section 35.

21 Q Mr. Bjerke, what effort have you made
22 to develop the east half of Section 35 as a standard unit?

23 A None.

24 Q Have you corresponded with the owners
25 of the southeast and proposed a standard unit?

1

2

A. I have.

3

Q

And are those letters marked for identification as your Exhibit Number Two?

4

5

A.

I think that that's -- yes, sir.

6

Q

And are there wells on the proposed unit at this time?

7

8

A.

There is a Dakota well on the proposed -- in the east half at the present time.

10

Q

And it is a single completion in the Dakota?

11

12

A.

It's a single completion in the Dakota.

13

Q

Were Exhibits One and Two prepared by you?

14

15

A.

Yes, sir.

16

17

MR. CARR: At this time, Mr. Nutter, we would offer into evidence Applicant's Exhibits One and Two.

18

19

MR. NUTTER: Applicant's Exhibits One and Two will be admitted in evidence.

20

21

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

22

23

CROSS EXAMINATION

24

BY MR. NUTTER:

25

Q

Now, Mr. Bjerke, which well were you

1
2 talking about that's a single completion in the Dakota?

3 A It's the Rawson No. 1. It's in the
4 east half of Section 35, 31 North, 12 West.

5 Q Now it's not shown on the exhibit,
6 Exhibit Number Three, then, is it?

7 A No.

8 Q Or you're not even to Exhibit Number
9 Three.

10 A No, not yet.

11 Q That's the only map I have, I've been
12 looking at.

13 Now, what is the name of the well that
14 you're proposing to drill?

15 A The Rawson No. 1-E.

16 Q I see, but the name of the existing
17 well is the Rawson No. 1.

18 A That's right.

19 Q Now, there's numerous owners in the east
20 half but there's more complexity to the ownership on just a
21 portion of the southeast quarter, being the east half of the
22 southeast quarter, is that it. that's where the complications
23 come in?

24 A The whole, the whole southeast quarter
25 is complicated. The only one that's clean is the northeast

1

2

quarter of Section 35, because we have got the full ownership.

3

Q I see.

4

A And the title opinion will show the com-

5

plexity of the ownership in the southeast quarter of Section

6

35.

7

Q Okay, so by getting this non-standard

8

unit you wouldn't have to go through voluntary communitization

9

or a compulsory pooling --

10

A That is right.

11

Q -- case in order to get a unit there.

12

But the well that's being proposed will be a Mesaverde well.

13

A That is right.

14

Q Now, what's dedicated to that Dakota

15

well at the present time?

16

A The east half of Section 35.

17

Q I see, well, how was it drilled with

18

all these complex lease situations?

19

A At the time that this well was drilled

20

it was one by the name of Carl Knoll; had three leases, and

21

he signed the operating agreement as owner of the lease. Then

22

he assigned his interest to -- through some assignments that

23

ended up as Brooks Exploration, and he retained a fifty per-

24

cent reversionary interest.

25

Later on he traded that interest to

1

2 anybody and everybody and we don't know where the people are
3 and we had tried to get in contact with --

4

Q So all of this was split up and divided
5 and sold and handed out after the Dakota well was drilled, then.

6

A That's right.

7

Q Oh, I see, and you don't want to get
8 into chat problem with your Mesaverde well.

9

A No, sor.

10

Q I see.

11

MR. NUTTER: Are there any further
12 questions of Mr. Bjerke? He may be excused.

13

MR. CARR: I'd call Mr. Lee.

14

15

JERRY LEE

16

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

18

19

DIRECT EXAMINATION

20

BY MR. CARR:

21

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

23

A Jerry Lee. I reside in Dallas, Texas.

24

Q By whom are you employed and in what
25 capacity?

1
2 A I'm a drilling and production engineer
3 for Supron Energy Corporation at Dallas.

4 Q Have you previously had your credentials
5 accepted by this Commission and made a matter of record?

6 A I have.

7 Q Are you familiar with the application of
8 Supron in this case and the subject acreage?

9 A I am.

10 MR. CARR: Are the witness qualifications
11 acceptable?

12 MR. NUTTER: They are.

13 Q Will you please refer to what has been
14 marked as Supron Energy Corporation Exhibit Number Three and
15 review this for the Examiner?

16 A Exhibit Three is a plat showing Supron's
17 proposed non-standard spacing unit for a Mesaverde test in the
18 northeast quarter of Section 35, Township 31 North, Range 12
19 West, San Juan County.

20 The plat also shows the current existing
21 offset producing Mesaverde wells and the cumulative production
22 through November of 1980 for these wells.

23 The plat shows only the Mesaverde wells
24 in this area. There are Dakota wells and as has been previously
25 mentioned by Mr. Bjerke, there is a Dakota well in the north-

1
2 east quarter of Section 35, existing well, the spacing unit
3 being the east half of Section 35.

4 MR. NUTTER: Well, wait a minute, he
5 said the southeast quarter.

6 A The well is in the northeast quarter.

7 MR. NUTTER: It is in the northeast
8 quarter, okay.

9 Q Mr. Lee, what is the standard spacing
10 for Mesaverde wells in this area?

11 A The standard spacing is 320 acres.

12 Q Has infill drilling been approved for
13 the pool?

14 A Yes, it is, this is the Blanco Mesaverde
15 Pool and the infill has been approved for the Blanco Mesaverde.

16 MR. CARR: We would ask that the Com-
17 mission take notice of Oil Conservation Division Order R-1670T,
18 which provides for infill drilling in this pool.

19 MR. NUTTER: Administrative notice will
20 be taken.

21 Q Mr. Lee, are you familiar with this
22 order?

23 A Yes, I am.

24 Q Would you state -- summarize briefly
25 what it provides?

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

A. Essentially the order provides that one well per 320 acres in the Blanco Mesaverde Pool will not adequately drain and therefor a second well was authorized for each 320-acre unit.

Q. In your opinion will the proposed well drain adjoining properties in the Mesaverde?

A. No, it will not.

Q. In your opinion is a Mesaverde well in the northeast quarter of Section 35 necessary to drain the Mesaverde reserves which underlie that 160-acre tract?

A. Yes, it is. This is essentially what the order approving the infill program did, was state that two wells per 320, or one well per 160, are necessary to effectively drain the reservoir.

Q. Is the Mesaverde prorated?

A. Yes, it is.

Q. Will this non-standard proration unit affect the well's allowable?

A. Yes, it will. It will reduce the allowable by virtue of the reduced spacing.

Q. And you are proposing to drill at a standard location, is that correct?

A. That is correct, a standard location in the northeast quarter.

1
2 Q I believe Mr. Bjerke has stated that you
3 plan to spud the well in the immediate future?

4 A That is correct. We currently have a
5 rig active in this area of the basin, which should so receive
6 approval in the near future, we would drill this well imme-
7 diately.

8 Should we be delayed, we may to release
9 the rig and then try to acquire another rig at some time in
10 the future.

11 Q In your opinion will granting this
12 application impair the correlative rights of any other interest
13 owner in the area?

14 A It will not.

15 Q Will approval of this application be
16 in the best interest of conservation and the prevention of
17 waste?

18 A It will.

19 Q Was Exhibit Number Three prepared by
20 you?

21 A Yes, it was.

22 MR. CARR: At this time, Mr. Nutter, we
23 would offer Supron's Exhibit Number Three into evidence.

24 MR. NUTTER: Supron Exhibit Three will
25 be admitted in evidence.

1
2 MR. CARR: I have nothing further of Mr.
3 Lee on direct.
4

5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Lee, now, the west half of Section
8 35 is not developed in the Mesaverde, is it?

9 A No, sir, it is not.

10 Q How about the Dakota?

11 A I'm not sure whether the Dakota is in
12 the west half or not. The Dakota production in this area is
13 extremely marginal and as we have no interest in the west half
14 I'm just not sure what it was.

15 Originally we had proposed to drill our
16 well as a -- to Brooks Exploration as a dual Dakota-Mesaverde
17 in the southeast quarter in a communitized 320-acre unit, and
18 then we discovered these problems with the acreage.

19 The Dakota, if drilled in this area, in
20 my opinion will have to be drilled in conjunction with the
21 Mesaverde, because it's uneconomic to drill otherwise.

22 Q And it would be infill well for the
23 Dakota.

24 A That is correct. The infill for the
25 Dakota would be the southeast quarter, and it could, of course,

1
2 be drilled in conjunction with a Mesaverde in that quarter at
3 some time in the future.

4 Q And Supron doesn't have any ownership
5 in the west half of Section 35?

6 A No, sir, we do not.

7 MR. NUTTER: Are there any further
8 questions of Mr. Lee? He may be excused.

9 MR. CHAVEZ: Yes, sir, I have.

10 MR. NUTTER: Oh, Mr. Chavez?

11

12 QUESTIONS BY MR. CHAVEZ:

13 Q Okay, the present Dakota well in the
14 east half is located in the northeast quarter?

15 A It's in the northeast quarter, that's
16 correct.

17 Q But it is feasible to drill a Mesaverde
18 single in the northeast quarter but not drill a Dakota single
19 in the southeast quarter.

20 A That's -- in my opinion it would be not --
21 infeasible to drill a Dakota single in the southeast quarter,
22 that's correct. A Mesaverde single in the northeast quarter
23 would be economic.

24 The Mesaverde-Dakota dual, which could
25 later be drilled in the southeast quarter, would also be

1
2 economic but only by virtue of the fact that the Mesaverde
3 would make it that way. The additional cost of going below
4 the Mesaverde would be minimal as compared to drilling a well
5 to the Dakota alone in the southeast quarter.

6 Q And was the reason for choosing an east
7 half dedication instead of a north half dedication because
8 you did have some interest in the southeast quarter?

9 A That is -- well, we have no interest in
10 the southeast quarter, but we are committed to an east half
11 unit on the Dakota.

12 The reason that we would prefer to leave
13 it only as an east half unit is to permit us at some time in
14 the future, provided the title problems can be cured, to
15 drill jointly with Brooks Exploration a dual Dakota-Mesaverde
16 in the southeast quarter. We would have no interest in the
17 Mesaverde but we would have a retained interest in the Dakota
18 by virtue of the existing spacing unit.

19 Q Okay.

20 MR. CHAVEZ: That's all I have.

21 MR. NUTTER: Are there any other ques-
22 tions of the witness? He may be excused.

23 Do you have anything further, Mr. Carr?

24 MR. CARR: Nothing further, Mr. Nutter.

25 MR. NUTTER: Does anyone have anything

1

2

they wish to offer in Case Number 7205?

3

We'll take the case under advisement.

4

5

(Hearing concluded.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

C E R T I F I C A T E

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

Sally W. Boyd CSR.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a correct and true copy of the transcript in
the file of the hearing held on 8/25/81.
7205
1981
[Signature], Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2080
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

April 9, 1981

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

Re: CASE NO. 7205
ORDER NO. B-6644

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

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. 7205
Order No. R-6644

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 25, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of April, 1981, 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, seeks approval of a 160-acre non-standard gas proration unit comprising the NE/4 of Section 35, Township 31 North, Range 12 West, NMRM, to be dedicated to a well to be drilled at a standard location thereon.
- (3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the Blanco Mesaverde Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.
- (4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Blanco Mesaverde Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

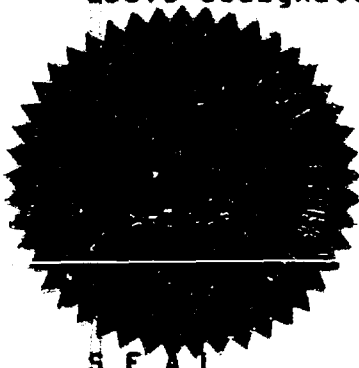
-2-
Case No. 7205
Order No. R-6644

IT IS THEREFORE ORDERED:

(1) That upon application of Supron Energy Corporation a 160-acre non-standard gas proration unit in the Blanco Mesaverde Pool comprising the NE/4 of Section 35, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico, is hereby established 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

fd/

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 808
746-3508

August 29, 1980

IN RE DIVISION ORDER OPINION OF TITLE, only below the
base of the Pictured Cliffs formation, underlying:

Township 31 North, Range 12 West, N.M.P.M.

No. 4978

Section 35: E/2

containing 320 acres, more or less,

in San Juan County, New Mexico.

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

Gentlemen:

C
O
P
Y

In connection with the title to the lands and horizons described in the
caption hereof, we have examined the following:

1. Opinions of Title, rendered by Robert O'Donnell of Southern
Union Gas Company, covering the captioned lands as follows:
 - (a) Dated April 4, 1961, covering the NE/4, and stated to be
based on abstracts certified to March 28, 1961 at 4:30
P.M.
 - (b) Dated May 17, 1961, covering E/2 SE/4, and stated to be
based on abstracts certified to December 2, 1960 at 4:30
P.M.
 - (c) Dated May 17, 1961, covering W/2 SE/4, and stated to be
based on abstracts certified to January 23, 1961 at 4:30
P.M.
2. Abstracts of Title Nos. N-20,207, N-20,208 and N-20,209, com-
piled by San Juan County Abstract & Title Company, Farming-
ton, New Mexico, containing 301 pages and tracing title to
the captioned lands as reflected by the records in the Of-
fices of the County Clerk and Clerk of the District Court of
San Juan County, New Mexico, from the closing dates set forth
above to July 14, 1960 at 4:30 P.M.

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

I. TITLE:

A. W/2 SE/4

1. Surface

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

SUPRON EXHIBIT NO. 1

CASE NO. 7205

Wardie L. Hubbard All

2. Minerals

El Sol Corporation All

3. Oil and Gas Leasehold Estate, Only Below the Base of the Pictured Cliffs Formation, Except D Below

El Sol Corporation1750000 RI
 Hugh J. Mitchell0100000 ORI
 William G. Drost, Jr., Trustee under the
 Will of Alma F. Griesedieck0107812 ORI
 Walter H. Ortel0287500 ORI
 Western Distributing Company Employees Trust0117920 ORI
 Anthony P. Zarlengo0159192 ORI
 L. G. Krieger0079596 ORI
 The heirs and devisees of Dawn G. Bleakley,
 deceased, who appear to be Harold G.
 Bleakley, Georgia Lee Kelton, Candace
 Lenoir Kelton Cox, and Mary Cooke Ellis,
 Trustee under the Will of Dawn G.
 Bleakley, deceased0397980 ORI
 *Brooks Exploration Incorporated7000000 WI

B. E/2 SE/41. Surface

Robb Livestock Co., subject to Contract of Sale
 in favor of E. D. Hendrickson and Bob M.
 Browning All

2. Minerals

J. C. Brown and Alice Brown 7/42
 Wes Oliver and Leona Oliver 7/42
 The heirs and devisees of Raymond D. Farmer,
 deceased, who appear to be Olive M. Farmer,
 Gary D. Farmer and Martha Ann Stephenson 16/42
 Carl V. Farmer 2/42
 Louis C. Farmer 2/42
 Audrey Farmer Foster 2/42
 Helen Farmer Dashen 2/42
 Shirley Farmer Linder 2/42
 Walter C. Farmer 2/42

3. Oil and Gas Leasehold Estate, Only Below the Base of the Pictured Cliffs Formation, Except D Below

J. C. Brown and Alice Brown (7/42 of .15)0250000 RI
 Wes Oliver and Leona Oliver (7/42 of .15)0250000 RI
 The heirs and devisees of Raymond D. Farmer,
 deceased, who appear to be Olive M. Farmer,
 Gary D. Farmer and Martha Ann Stephenson
 (16/42 of .15)0571429 RI
 Carl V. Farmer (2/42 of .15)0071429 RI
 Louis C. Farmer (2/42 of .15)0071429 RI
 Audrey Farmer Foster (2/42 of .15)0071429 RI
 Helen Farmer Dashen (2/42 of .15)0071429 RI
 Shirley Farmer Linder (2/42 of .15)0071429 RI
 Walter C. Farmer (2/42 of .15)0071429 RI

Jessica P. Hall, Trustee under Assignments
dated March 8, 1974, recorded Book 728,
Page 139, and Book 728, Page 1400100000 ORI

Eleanor P. Jordan, Trustee under Assignments
dated March 8, 1974, recorded Book 728,
Page 141, and Book 728, Page 1420100000 ORI

Hugh J. Mitchell0100000 ORI

Mary Rose Ortel0275000 ORI

Western Distributing Company Employees Trust0112792 ORI

Anthony P. Zarleno0152269 ORI

L. G. Krieger0076135 ORI

The heirs and devisees of Dawn G. Bleakley,
deceased, who appear to be Harold J.
Bleakley, Georgia Lee Kelton, Candace
Lenoir Kelton Cox, and Mary Cooke Ellis,
Trustee under the Will of Dawn G.
Bleakley, deceased0380673 ORI

Glen Dial, Jr.0203128 ORI

*Brooks Exploration Incorporated7000000 WI

*As to 1/2 thereof, subject to reversionary interests reserved in
Assignment dated August 28, 1961, recorded Book 515, Page 134,
following recovery of the costs specified therein.

C. NE/4

1. Surface and Minerals

The heirs and devisees of Rodney Allen Rawson
and Mary L. Rawson, apparently both deceased,
who appears to be William Walters3/8

Betty Jean Rawson Fairchild5/8

2. Oil and Gas Leasehold Estate, Only Below the Base of the Pictured
Cliffs Formation, Except D Below

The heirs and devisees of Rodney Allen
Rawson and Mary L. Rawson, apparently
both deceased, who appears to be William
Walters (3/8 of 1/8)0468750 RI

Betty Jean Rawson Fairchild (5/8 of 1/8)0781250 RI

Supron Energy Corporation8750000 WI

D. Oil and Gas Leasehold Estate in Dakota Formation, Underlying E/2
Section 35

El Sol Corporation (.175 of 1/4)0437500 RI

J. C. Brown and Alice Brown (7/42 of .15 of
1/4)0062500 RI

Wes Oliver and Leona Oliver (7/42 of .15 of
1/4)0062500 RI

The heirs and devisees of Raymond D. Farmer,
deceased, who appear to be Olive M. Farmer,
Gary D. Farmer and Martha Ann Stephenson
(16/42 of .15 of 1/4)0142857 PI

Carl V. Farmer (2/42 of .15 of 1/4)0017857 RI

Louis C. Farmer (2/42 of .15 of 1/4)0017857 RI

Audrey Farmer Foster (2/42 of .15 of 1/4)0017857 RI

Helen Farmer Dasher (2/42 of .15 of 1/4)0017857 RI

Shirley Farmer Linder (2/42 of .15 of 1/4)0017857 RI

Walter C. Farmer (2/42 of .15 of 1/4)0017857 RI

The heirs and devisees of Rodney Allen Rawson and Mary L. Rawson, apparently both deceased, who appears to be William Walters (3/8 of 1/8 of 1/2)0234375 RI

Betty Jean Rawson Fairchild (5/8 of 1/8 of 1/2)0390625 RI

Hugh J. Mitchell (.01 of 1/2)0050000 ORI

William G. Drost, Jr., Trustee under the Will of Alma F. Griesedieck (.01078125 of 1/4)0026953 ORI

Walter H. Ortel (.02875 of 1/4)0071875 ORI

Western Distributing Company Employees Trust (.01179199 of 1/4 + .0112792 of 1/4)0057678 ORI

Anthony F. Zarleno (.0159191865 of 1/4 + .01522692 of 1/4)0077866 ORI

L. G. Krieger (.00795959325 of 1/4 + .00761346 of 1/4)0038934 ORI

Jessica P. Hall, Trustee under Assignments dated March 8, 1974, recorded Book 728, Page 139, and Book 728, Page 140 (.01 of 1/4)0025000 ORI

Eleanor P. Jordan, Trustee under Assignments dated March 8, 1974, recorded Book 728, Page 141, and Book 728, Page 142 (.01 of 1/4)0025000 ORI

Mary Rose Ortel (.0275 of 1/4)0068750 ORI

The heirs and devisees of Dawn G. Bleakley, deceased, who appear to be Harold J. Bleakley, Georgia Lee Kelton, Candace Lenoir Kelton Cox, and Mary Cooke Ellis, Trustee under the Will of Dawn G. Bleakley, deceased (.0380673 of 1/4 + .03979796625 of 1/4)0194663 ORI

Glen Dial, Jr. (.0203128 of 1/4)0050782 ORI

*Brooks Exploration Incorporated (.70 of 1/2)3500000 WI

Supron Energy Corporation (.875 of 1/2)4375000 WI

*As to 1/2 thereof, subject to reversionary interests reserved in Assignment dated August 28, 1961, recorded Book 515, Page 134, following recovery of the costs specified therein.

II. EFFECTIVE OIL AND GAS LEASES: The apparently effective oil and gas leases covering the captioned lands are briefly described as follows:

(a) Lease dated January 23, 1961, recorded Book 476, Page 55, between Trilon Oil Co., Inc., as lessor, and Carl H. Noel, as lessee, covering W/2 SE/4, at 17.5% royalty, and now held by Brooks Exploration Incorporated as to horizons below the base of the Pictured Cliffs formation.

(b) Lease dated July 10, 1956, recorded Book 310, Page 179, between Raymond D. Farmer, et al, as lessor, and Claud E. Aikman, as lessee, covering 2/3rds interest in E/2 SE/4, for a primary term of five years, at 15% royalty, and now held by Brooks Exploration Incorporated as to horizons below the base of the Pictured Cliffs formation.

(c) Lease dated August 7, 1956, recorded Book 310, Page 180, between Wes Oliver, et al, as lessor, and Claud E. Aikman, covering 1/3rd

mineral interest in E/2 SE/4, for a primary term of five years, at 15% royalty, and now held by Brooks Exploration Incorporated as to horizons below the base of the Pictured Cliffs formation.

(d) Lease dated April 2, 1956, recorded Book 296, Page 39, between Rodney Allen Rawson, et al, as lessor, to Southern Union Gas Company, as lessee, covering the entire mineral interest in NE/4, for a primary term of 10 years, at 1/8th royalty, now held by Supron Energy Corporation.

By instrument dated March 31, 1961, recorded Book 486, Page 28, the above leases were designated as pooled into a single unit consisting of the E/2 Section 35 for the production of gas from the Dakota formation.

III. COMMENTS:

1. Base Title Opinions. We have not examined the base abstracts on this lease, but instead have relied upon the prior title opinions described above. We believe that you may safely rely upon these prior title opinions, but you will understand that we cannot be responsible for the matters covered in those opinions.

2. Gas Purchase Agreement. By Supplemental Gas Purchase Agreement dated August 23, 1961, recorded Book 500, Page 140, reference was made to a Natural Gas Purchase Contract dated September 27, 1954, affecting E/2 Section 35. This gas contract is not shown in the abstracts, but since Supron Energy Corporation is a party to the agreement, we make no requirement.

3. Surface Rights-of-Way. Surface rights-of-way affecting portions of the captioned lands appear in the abstracts as follows:

(a) Right-of-Way dated June 28, 1961, recorded Book 487, Page 198, by Rodney A. Rawson, et al, to Southern Union Production Company, and crossing the NE/4.

(b) Right-of-Way dated June 23, 1961, recorded Book 487, Page 199, by Betty Jean Fairchild, et al, to Southern Union Production Company, and crossing the NE/4.

(c) Right-of-Way dated July 24, 1962, recorded Book 523, Page 261, by Betty Jean Rawson Fairchild, et al, to Southern Union Gathering Company, and crossing NE/4.

IV. REQUIREMENTS:

1. Extension of Leases. It cannot be determined from the abstracts whether the oil and gas leases described in II above are held by production in paying quantities obtained during the terms of the leases and continuing to a current date.

Either furnish satisfactory information to reflect that these leases are held by production in paying quantities, or satisfy yourselves that the leases are in effect.

2. Reversionary Interest. By Assignment dated August 28, 1961, recorded Book 515, Page 134, Carl Noel, then the owner of Leases (a), (b) and (c) assigned the same, only below the base of the Pictured

Cliffs formation, unto The Clayton Oil Company of 1961, Limited, a limited partnership, reserving a total royalty and overriding royalty of 30%. The assignment was subject to an Operating Agreement dated March 22, 1961, which does not appear in the abstracts. From the Assignment Noel reserved unto his heirs, successors and assigns a reversionary interest equal to 1/2 of the interest assigned, effective upon recovery of all costs incurred in drilling and completing wells under the Operating Agreement referred to above, without a time limitation. The assigned rights, subject to this reversionary interest, are now owned by Brooks Exploration Incorporated. This reversionary interest has been the subject of numerous assignments which have apparently resulted in over conveyances of this interest, and which are unintelligible in many respects as to the interests intended to be conveyed. The names of the parties acquiring such interest (or in some cases an interest claimed, but not evident) and the interest specified, with the addresses of any parties shown in the abstracts are set forth on Exhibit "A" to this opinion.

It cannot be determined from the abstracts whether these reversionary interests are now entitled to possession of their proportionate part of 1/2 of the leasehold interest. We understand Supron Energy Corporation proposes to subject these interests to compulsory pooling and drill additional wells on the captioned leases, lands and horizons.

A compulsory pooling order of the New Mexico Oil Conservation Division should be obtained prior to drilling additional wells on the captioned lands. The above named parties should either stipulate to their proportionate shares of the reversionary interest, or should be named defendants in a quiet title suit.

3. Conveyances by Strangers. By Quitclaims dated December 1, 1976, recorded Book 782, Page 276 and Book 782, Page 277, respectively, Marie Farmer and Laura Jean Buthorn quitclaimed E/2 Section 35 to Brooks Exploration, Inc. These parties were strangers to the title so far as appears from the base title opinions furnished for examination, but it is possible that the instruments conveyed interests in the lands not apparent from the abstracts.

An inquiry should be made of Brooks Exploration, Inc. to ascertain the nature of the interests conveyed by the above instruments, and we reserve further requirements.

4. Glen Dial, Jr. Interest. By Assignment and Quitclaim dated November 22, 1963, recorded Book 567, Page 68, a briefed copy of which appears in the abstracts, Carl H. Noel quitclaimed all his interest in Lease (a) in II above unto Glen Dial, Jr. As stated, this instrument was briefed and we are unable to determine that it conveyed the assignor's interest under Leases (b) and (c) as well as Lease (a). Certain Mortgages (later released) which appear in the abstracts reflect that Glen Dial, Jr. claimed the following interest in SE/4 pursuant to Leases (a), (b) and (c):

27/32 of 7/8 of 13% reversionary interest in W/2 SE/4
27/32 of 7.546875% overriding royalty interest in W/2 SE/4

27/32 of 7/8 of 6% reversionary interest in E/2 SE/4
27/32 of 7.21875% overriding royalty interest in E/2 SE/4

As noted in our ownership schedule in I above, these claimed interests do not accord with record title to the reversionary interest and overriding royalties claimed by Glen Dial, Jr. Glen Dial, Jr. should either stipulate to his interest as set forth in I above, or should be named a defendant in a quiet title suit.

5. Dawn G. Bleakley Interest. We have credited the heirs and devisees of Dawn G. Bleakley, deceased, with the overriding royalty set forth in I above. This person died testate July 15, 1965, and ancillary proceedings upon her will were conducted in the Probate Court of San Juan County, Cause No. 3004, and left Harold J. Bleakley, Georgia Lee Kelton, Candace Lenoir Kelton Cox, and Mary Cooke Ellis, Trustee under the Will of Dawn G. Bleakley, deceased, as her heirs and devisees. These proceedings are not shown in full in the abstracts and without an examination thereof, we are unable to determine the sufficiency of these probate proceedings.

If production is obtained, it will be necessary either that we be furnished certified copies of the above probate proceedings for examination, or that you otherwise ascertain the owners of this interest.

6. Brown Mineral Interest. The base title opinion on E/2 SE/4 credited J. C. Brown, et ux, with the surface and 1/6th the minerals in these lands. By Warranty Deed date August 17, 1962, recorded Book 523, Page 301, the E/2 SE/4 was conveyed to W. W. Barefoot, et ux. The deed is ambiguous as to whether the reservation of all oil, gas and other minerals set forth therein applied to all tracts described or to less than all. If the Brown mineral interest were construed to have passed, it would now be vested in Robert C. Lybrook and Georgia M. Lybrook, his wife.

Suspend the royalty interest credited to J. C. Brown and Alice Brown in I above until Robert C. Lybrook and Georgia M. Lybrook, his wife, have either quitclaimed the minerals to J. C. Brown, et ux, or have stipulated with respect to the ownership thereof.

7. Omitted Instruments in Abstracts. At Page 70 of Abstract N-20,209 furnished for examination, the second page of an instrument appears, dated April 19, 1962, wherein Carl H. Noel was assignor and Jack Kohn and Louise Kohn were assignees. This instrument is not shown in full and without an examination thereof, we are unable to determine its effect on the captioned lands, but the same appears to have been an assignment of some interest in Leases (a), (b) and (c).

We should be furnished with a copy of the complete instrument appearing at Page 70 referred to above for examination, and reserve further requirements.

8. Cloud on Title. As described in Requirement 2 above, Carl H. Noel conveyed all rights in Leases (a), (b) and (c) in II above, below the base of the Pictured Cliffs formation, by instrument dated August 28, 1961, recorded Book 515, Page 134. As referred to in Requirement 4 above, Noel subsequently quitclaimed to Glen Dial, Jr. By instrument dated May 28, 1964, recorded Book 587, Page 59, and Book 587, Page 58, Dial purported to convey a portion of the working interest, below the Pictured Cliffs formation, to Anthony F. Zarlengo, L. G. Krieger and Dawn G. Bleakley (since deceased, the interest having passed to the parties described in Requirement 5 above).

The foregoing Assignment is a cloud on the leasehold estate below the base of the Pictured Cliffs formation. Either obtain and record quit-claims by the above named interest owners and Glen Dial, Jr. (whose wife is Mary A. Dial) as to all horizons lying below the base of the Pictured Cliffs formation, or the above named parties should be named defendants in a quiet title suit.

9. Raymond D. Farmer Interest. Raymond D. Farmer was credited with 8/21sts mineral interest in E/2 SE/4 by the base title opinion furnished for examination. This person died testate September 28, 1971, and proceedings upon his will were conducted in the Probate Court of San Juan County, Cause No. 3282. Only briefed copies of these proceedings appear in the abstracts and we are unable to determine the sufficiency thereof and the parties to whom the interest passed. The decedent left his widow, Olive N. Farmer, and his children, Gary D. Farmer and Marsha Ann Stephenson, surviving him. The inventory in those proceedings claimed 1/6th the minerals in the E/2 SE/4.

If production is obtained, an inquiry should be made as to the reason the lesser mineral interest was inventoried in E/2 SE/4, and it will be necessary that we either be furnished certified copies of the foregoing proceedings for examination or that you otherwise ascertain the parties to whom this interest passed.

10. E. O. Perry Interest. The base title opinion credited E. O. Perry with 28 overriding royalty interest in E/2 SE/4. By four instruments dated March 8, 1974, recorded Book 728, Pages 139, 140, 141 and 142, E. O. Perry, without indication of his marital status, conveyed the overriding royalty interest to Jessica P. Hall, Trustee, and Eleanor P. Jordan, Trustee, respectively. No such trust instruments appear in the abstract.

If production is obtained, obtain and record an affidavit that E. O. Perry and E. O. Perry are the same party. An inquiry with respect to the marital status of E. O. Perry on the date he acquired these interests should be obtained, and we reserve further requirements. The trust instruments under which the above named trustees act should be recorded in San Juan County and we should be furnished a copy thereof to determine the authority of the trustees to accept royalties on behalf of the beneficiaries.

11. Rodney Allen Rawson Interest. The base title opinion credited Rodney Allen Rawson with 3/8ths interest in the surface and minerals in NE/4. Mary L. Rawson, who was apparently the wife of Rodney Allen Rawson is deceased, and proceedings on her will were conducted in the District Court of San Juan County, Cause No. P-79-1, which are briefed in the abstracts. By Instrument of Distribution, recorded Book 856, Page 474, Lillian Hicks, Personal Representative under the Will of Mary L. Rawson, deceased, conveyed the interest to William Walters, as sole distributee.

If production is obtained, an inquiry should be made with respect to Rodney Allen Rawson. If this party is deceased, we should be furnished an affidavit of heirship, together with a copy of any will he may have left, and reserve further requirements. In such event, the heirship of Rodney Allen Rawson should be determined by a New Mexico court. It will be necessary that either we examine the above cited probate proceedings of Mary L. Rawson to determine the sufficiency thereof, or that you otherwise ascertain this information.

12. Unsatisfied Requirements. The following requirements, on the tracts indicated, made in the base opinions furnished for examination, are not shown to be satisfied by materials in the abstracts:

W/2 SE/4
E/2 SE/4
NE/4

Requirement 2
Requirements 1, 4 and 5
Requirements 1 and 4

Either satisfy these requirements, or determine that you have elected to waive the same, at your discretion.

When the requirements set forth above have been satisfied, we will approve title, for division order purposes, to the lands and horizons described in the caption hereof, on the date to which the abstracts were last certified, in accordance with this opinion.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.

Chad Dickerson

Chad Dickerson

CD:pvm

Abstracts returned herewith

EXHIBIT "A" TO TITLE OPINION NO. 4978
REQUIREMENT NO. 2

<u>Name</u>	<u>Address</u>	<u>Interest</u>
Thomas Saverty Schilling and Ann Gautier Schilling	Not Shown	16.6666600%
William G. Drost, Jr., Trustee under the Will of Alma F. Griesedieck	c/o Trust Department Boatmen's National Bank Main P. O. Box 236 St. Louis 66, MO	W/2 SE/4 4.8611000% E/2 SE/4 3.1746000%
Ralph E. Rubins	6102 Blackburn Avenue Los Angeles, CA	5.5555600%
Moulton A. Goff	1860 Eel Air Road Los Angeles 24, CA	2.8571400%
William J. Thornton	227 S. Lucerne Los Angeles 4, CA	16.6666600%
Mary R. Stauffer	Not Shown	14.2857000%
Western Distributing Com- pany Employees Trust	2201 19th Street Denver, CO	W/2 SE/4 5.0781100% E/2 SE/4 2.3437500%
The heirs and devisees of Ellen G. Berend, deceased, who appears to be Wayne Ofstedahl	c/o Tansey, Wood, Rosebrough & Roberts P. O. Box 659 Farmington, NM	6.3492000%
Bruce Howard Lindsay	305-1/2 32nd Street Newport Beach, CA	3.1746000%
Anthony F. Zarlengo	Majestic Building Denver, CO	W/2 SE/4 5.4665598% E/2 SE/4 2.2148370%
L. G. Krieger	450 Home Aurora, CO	W/2 SE/4 2.7332798% E/2 SE/4 1.0174185%
The heirs and devisees of Dawn G. Bleakley, deceased, who appear to be Harold J. Bleakley, Georgia Lee Kelton, Candace Lenoir Kelton Cox, and Mary Cooke Ellis, Trustee under the Will of Dawn G. Bleakley, deceased	2950 E. Stanford Englewood, CA	W/2 SE/4 13.6663990% E/2 SE/4 5.5370925%
Gladys Murphy	4118-1/2 S. Victoria Los Angeles 8, CA	W/2 SE/4 13.3333400% E/2 SE/4 7.7777800%
Jack R. Kohn and Louise Kohn, both single	2790 Wynglen Lane Los Angeles 23, CA	2.8571400%

<u>Name</u>	<u>Address</u>	<u>Interest</u>
Roger K. Stewart	2115 Las Palomas Drive La Habra, CA	1.42858000
Eugene P. Mathias	12027 Venice Boulevard Mar Vista 66, CA	22.85716000
Benjamin M. Taylor	1385 Westwood Boulevard Los Angeles 24, CA	2.85714000
Malcolm C. Todd	1933 Pacific Avenue Long Beach 6, CA	14.28572000
Harry R. Sherman	3662 Ventura Canyon Sherman Oaks, CA	3.17460000
Glen Dial, Jr.	Denver, CO	W/2 SE/4 27/32 of 7/8 of 130 E/2 SE/4 27/32 of 7/8 of 130

May 7 1962

at 10:13 o'clock A.M.
and Recorded in Book 513
Page 134

By Sarah Goodline, County Clerk
Fee \$3.00

13
ASSIGNMENT OF OIL AND GAS LEASES
AND INTEREST UNDER COMMUNITIZATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, CARL H. NOEL, a single man having offices at 1430 First National Bank Building, Denver 2, Colorado, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has bargained, sold, transferred, assigned and conveyed, and by these presents does bargain, sell, transfer, assign and convey, the undersigned, THE CLAYTON OIL COMPANY OF 1961, LTD., a limited partnership, having offices at 712 Patterson Building, Denver 2, Colorado, all of his right, title and interest in and to the following described oil and gas leases, or interests or rights therein, covering lands in San Juan County, New Mexico:

1. Oil and Gas Lease dated August 7, 1956, from Wes Oliver and Leona M. Oliver, husband and wife, and J. C. Brown and Alice H. Brown, husband and wife, as Lessors, to Claud E. Aikman, as Lessee, recorded in Book 310, page 180, of the records of San Juan County, New Mexico, insofar and only insofar as said lease covers all rights and horizons below the base of the Pictured Cliff formation in the following described land:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: E/2 SE/4

containing 80 acres, more or less, and subject to royalties and overriding royalties in the amount of 30%.

2. Oil and Gas Lease dated July 10, 1956, from Raymond D. Farmer and Olive M. Farmer, husband and wife, Shirley M. Linder, a single woman, Louis C. Farmer and Frances Farmer, husband and wife, Walter C. Farmer, a single man, Carl V. Farmer and Marie Farmer, husband and wife, Audrey Foster and Howard N. Foster, husband and wife, Helen M. Dashen and Felix Dashen, husband and wife, as Lessors, to Claud E. Aikman, as Lessee, recorded in Book 310, page 179, of the records of San Juan County, New Mexico, insofar and only insofar as said lease covers all rights and horizons below the base of the Pictured Cliff formation in the following described land:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: E/2 SE/4

containing 80 acres, more or less, and subject to royalties and overriding royalties in the amount of 30%.

3. Oil and gas lease dated January 23, 1961, from Trilon Oil Co., Inc., as Lessor, to Carl H. Noel, as Lessee, recorded in Book 476, page 55, of the records of San Juan County, New Mexico, insofar and only insofar as said lease covers all rights and horizons below the base of the Pictured Cliff formation in the following described land:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: W/2 SE/4

containing 80 acres, more or less, and subject to royalties and overriding royalties in the amount of 30%.

297-18

Carl H. Noel has heretofore committed each of the above described Oil and Gas Leases, or interests or rights therein, to a certain Declaration of Pooling, dated March 31, 1961, recorded May 29, 1961, in Book 486, page 28, of the records of San Juan County, by and between Southern Union Production Company and Carl H. Noel, which Declaration of Pooling establishes a communitized area covering:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: E/2, containing 320
acres, more or less;

and extends to and includes only the Dakota formation underlying said lands and the dry gas and associated hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation.

For the same considerations as above described, Carl H. Noel has bargained, sold, transferred, assigned and conveyed, and by these presents does bargain, sell, transfer, assign and convey to The Clayton Oil Company of 1961, Ltd., all of his percentage of interest in the communitized area, namely an aggregate of 50%, subject to such royalties, overriding royalties and other lease burdens which are presently payable under the above described Oil and Gas Leases, or interests or rights therein.

All of the interests hereby assigned are subject to a certain Operating Agreement, dated March 22, 1961, between the same parties who executed the above described Declaration of Pooling and covering the same lands.

RESERVING, however, to Carl H. Noel, his heirs and assigns, as a reversionary interest, an undivided one-half of the interests hereby assigned, this reversionary interest to vest in possession in Carl H. Noel, his heirs and assigns, when The Clayton Oil Company of 1961, Ltd. shall have recouped from the interests hereby assigned to it a sum equal to the costs attributable or allocated to the interests hereby assigned pursuant to said operating agreement dated March 22, 1961, of drilling, equipping, completing, testing and operating a well or wells on the communitized area.

The Clayton Oil Company of 1961, Ltd. shall be deemed to have recouped such sum when the operating net income from any production accruing to it from the interests hereby assigned, after the payment of all costs of operations, first equals a sum equal to the costs attributable or allocated to the interests hereby assigned pursuant to said operating agreement dated March 22, 1961, of drilling, equipping, completing, testing and operating a well or wells on the communitized area.

The "operating net income" is the total operating gross income from production reduced by an amount equal to the costs of operations.

The "total operating gross income" is the gross income from production excluding income attributable to royalty interests, overriding royalty interests, and other lease burdens presently payable.

At such time as the above described reversionary interest vests in possession in Carl H. Noel, or his heirs and assigns, The Clayton Oil Company of 1961, Ltd. will deliver to Carl H. Noel, or his heirs or assigns, a recordable assignment of such interest, which assignment shall contain covenants of special warranty, warranting the title assigned against all persons claiming by, through or under The Clayton Oil Company of 1961, Ltd.

No purchaser of production from the interests hereby assigned shall be charged with any duty to determine when or on what event the reversionary interest hereby reserved shall vest in possession in Carl H. Noel, or his heirs and assigns, and such purchaser shall never be held liable for any overpayment to The Clayton Oil Company of 1961, Ltd., or failure to pay Carl H. Noel, or his heirs and assigns, on account of such reserved reversionary interest.

127
TO HAVE AND TO HOLD unto The Clayton Oil Company of 1961, Ltd., its successors and assigns, in accordance with all of the terms and conditions of this instrument, Carl H. Noel hereby warranting title only against persons claiming by, through or under him.

28th IN WITNESS WHEREOF, this instrument is executed this day of AUGUST, 1961.

Carl H. Noel
Carl H. Noel

THE CLAYTON OIL COMPANY OF 1961, LTD.,
a Limited Partnership

By A. J. Courson
A. J. Courson, the sole General Partner

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this day of August, 1961, by Carl H. Noel, a

My commission expires Nov. 14, 1961.

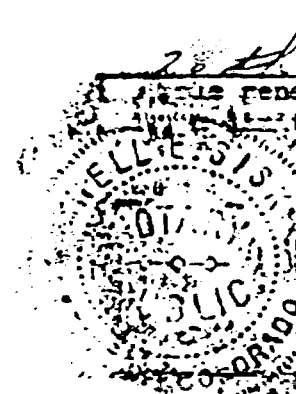


William E. Lisk
Notary Public

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this day of August, 1961, by A. J. Courson, a general partner on behalf of The Clayton Oil Company of 1960, a limited partnership.

My commission expires Nov. 14, 1961.



William E. Lisk
Notary Public

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

~~SUPPON~~ EXHIBIT NO. 2

CASE NO. 7205

February 15, 1980

Brooks Exploration, Inc.
2110 Weston Federal Savings Building
718 Seventeenth Street
Denver, CO 80202

RE: Ransom #1 E Well
SE $\frac{1}{4}$ Sec. 35, T-31N, R-12-W
San Juan County
NEW MEXICO 61-204

Gentlemen:

Enclosed you will find four copies of our AFE, Three copies of the Amended Operating Agreement, and three copies of Declaration of Pooling covering the captioned area for your consideration and approval. The well is on our current proposed 1980 Drilling Program for the San Juan Basin.

We are sending you all the copies and request that you secure signatures on everything from Carl H. Noel. We do not have a current address for Mr. Noel, but thought you may have an address for him since he has a reversionary interest under his assignment to you.

When you have secured all of the necessary signatures, please return one fully executed copy of our AFE, Joint Operating Agreement, and Designation of Pooling for our further handling. Your assistance in the earliest possible return of these documents would be appreciated as we have a rig available in the area.

Yours very truly,

Gaby Bjerke
Landman

GB:ap

Enclosures

February 20, 1980

Brooks Exploration Company
2110 Western Federal Savings Building
Denver, CO 80202

Attention: MR. JOHN KING

RE: Rawson #1 "E" Well
E $\frac{1}{2}$ Sec. 35, T31N, R12W
San Juan County
NEW MEXICO

Gentlemen:

Pursuant to our recent conversation, the estimated economics of the captioned well goes as follows:

Estimated Reserve: 500MCF
Price: \$2.72 per MCF increasing at least
5% a year + condensate if any

If Production is less than 60 MCF per day, we will receive
Shipper price of \$3.25 per MCF.

Well should pay out in two years (?)

NOTE: All of the above are estimates.

Enclosed you will find old Title Opinions and a current list of payees.
A copy of the old well economics is also enclosed. Please contact me if
I can be of further assistance.

Yours very truly,

Gaby Bjerke
Landman

GB:ap



BROOKS EXPLORATION INCORPORATED

Oil and Gas Exploration and Leasing

2110 WESTERN FEDERAL SAVINGS BLDG.

718 SEVENTEENTH STREET

DENVER, COLORADO 80202

(303) 292-1270

July 10, 1980

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

Attention: Mr. Gabby Bjerke

Re: Rawson #1- "E" Well
E/2 Section 35, T31N, R12W
San Juan County, New Mexico

Gentlemen:

We have had your proposed AFE on the above referenced well for sometime considering its potential to Brooks Exploration. Numerous problems arise with this location. Brooks Exploration has in the Rawson #1 well a 50% WI (35% NRI) until payout which reverts to 1/2 of these percentages. The Rawson #1 at present still lacks \$61,588 to payout as to our 1/2 interest. At best, it would probably take ten years even with increased prices. Since this well was poor from the very beginning and due to the low starting gas prices, it was never considered the well might payout. The original division orders do not even reflect who the reversionary interest owners are and it will be a detective job to find them.

The reversionary interest holders do not participate in any further drilling on the property until the #1 is paid out, therefore, Brooks Exploration would have to pay for 50% interest which would revert to 17.5% NRI at payout of a new well. This does not sound like good economics to me.

We have discussed this production with your Mr. Motto in Farmington and we both realize there is additional potential, not only in the Dakota but also Mesa Verde. Mr. Motto questions whether we could re-complete the #1 from shallower zones due to pipe conditions. The shallower gas would also receive old price in this hole.

July 10, 1980

Supron Energy Corporation
Attention: Mr. Gabby Bjerke


Re: Rawson #1-"E" Well
E/2 Section 35, T31N, R12W
San Juan County, New Mexico

Brooks Exploration, therefore, is starting the procedure to trace down the reversionary interest owners in an effort to do one of the following:

- A. Trade reversionary interest for ORR.
- B. Set out the SE/4 as a new deal whereby they would participate in drilling costs.

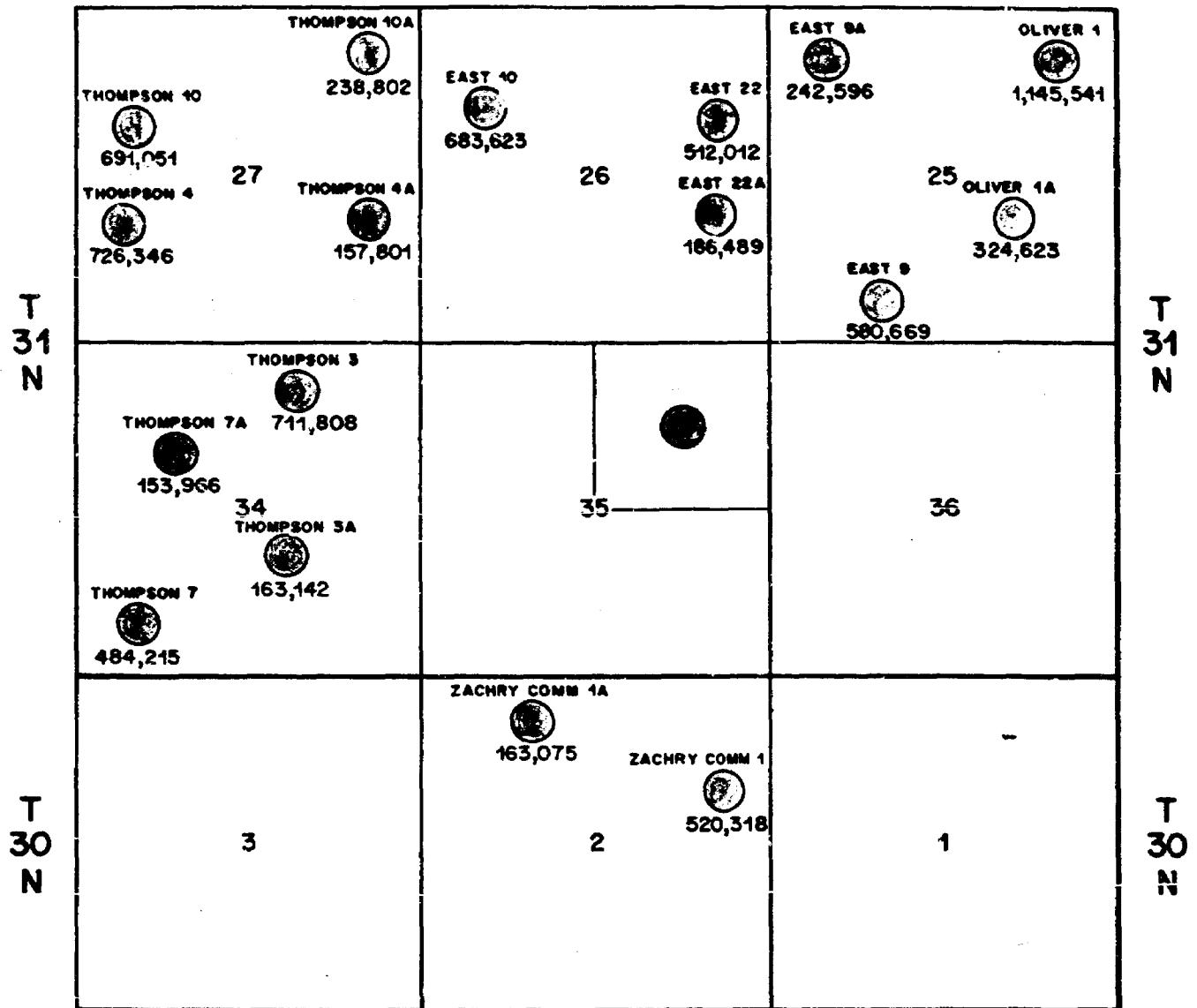
This procedure will take some time and I will keep you informed. I hope this explains our position. We are trying hard to add reserves to our company and feel this #1-E would do it but the difficulties have to be solved first.

Very truly yours,





Bill J. Brooks
President

BJB/md

R-12-W



LEGEND

-  PROPOSED NON-STANDARD SPACING UNIT
-  PROPOSED MESA VERDE TEST
-  EXISTING MESA VERDE WELL
- 100,000 CUMULATIVE PRODUCTION THRU NOVEMBER 1980 (MCF)

Supron Energy Corporation

RAWSON AREA
TOWNSHIP 30 & 31 NORTH
RANGE 12 WEST
SAN JUAN CO., NEW MEXICO
SCALE : 2" = 1 MILE

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

August 29, 1980

IN RE DIVISION ORDER OPINION OF TITLE, only below the
base of the Pictured Cliffs formation, underlying:

Township 31 North, Range 12 West, N.M.P.M.

No. 4978

Section 35: E/2

containing 320 acres, more or less,

in San Juan County, New Mexico.

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

Gentlemen:

C
O
P
Y

In connection with the title to the lands and horizons described in the
caption hereof, we have examined the following:

1. Opinions of Title, rendered by Robert O'Donnell of Southern
Union Gas Company, covering the captioned lands as follows:
 - (a) Dated April 4, 1961, covering the NE/4, and stated to be
based on abstracts certified to March 28, 1961 at 4:30
P.M.
 - (b) Dated May 17, 1961, covering E/2 SE/4, and stated to be
based on abstracts certified to December 2, 1960 at 4:30
P.M.
 - (c) Dated May 17, 1961, covering W/2 SE/4, and stated to be
based on abstracts certified to January 23, 1961 at 4:30
P.M.
2. Abstracts of Title Nos. N-20,207, N-20,208 and N-20,209, com-
piled by San Juan County Abstract & Title Company, Farming-
ton, New Mexico, containing 301 pages and tracing title to
the captioned lands as reflected by the records in the Of-
fices of the County Clerk and Clerk of the District Court of
San Juan County, New Mexico, from the closing dates set forth
above to July 14, 1980 at 4:30 P.M.

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

I. TITLE:

A. W/2 SE/4

1. Surface

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
Supron	EXHIBIT NO. 1
CASE NO. 7205	

Wardie L. Hubbard All

2. Minerals

El Sol Corporation All

3. Oil and Gas Leasehold Estate, Only Below the Base of the Pictured Cliffs Formation, Except D Below

El Sol Corporation1750000 RI
 Hugh J. Mitchell0100000 ORI
 William G. Drost, Jr., Trustee under the
 Will of Alma F. Grissedieck0107812 ORI
 Walter H. Ortel0287500 ORI
 Western Distributing Company Employees Trust0117920 ORI
 Anthony P. Zarlengo0159192 ORI
 L. G. Krieger0079596 ORI
 The heirs and devisees of Dawn G. Bleakley,
 deceased, who appear to be Harold J.
 Bleakley, Georgia Lee Kelton, Candace
 Lenoir Kelton Cox, and Mary Cooke Ellis,
 Trustee under the Will of Dawn G.
 Bleakley, deceased0397980 ORI
 *Brooks Exploration Incorporated7000000 WI

E. E/2 SE/41. Surface

Robb Livestock Co., subject to Contract of Sale
 in favor of E. D. Hendrickson and Bob M.
 Browning All

2. Minerals

J. C. Brown and Alice Brown 7/42
 Wes Oliver and Leona Oliver 7/42
 The heirs and devisees of Raymond D. Farmer,
 deceased, who appear to be Olive M. Farmer,
 Gary D. Farmer and Martha Ann Stephenson 16/42
 Carl V. Farmer 2/42
 Louis C. Farmer 2/42
 Audrey Farmer Foster 2/42
 Helen Farmer Dashen 2/42
 Shirley Farmer Linder 2/42
 Walter C. Farmer 2/42

3. Oil and Gas Leasehold Estate, Only Below the Base of the Pictured Cliffs Formation, Except D Below

J. C. Brown and Alice Brown (7/42 of .15)0250000 RI
 Wes Oliver and Leona Oliver (7/42 of .15)0250000 RI
 The heirs and devisees of Raymond D. Farmer,
 deceased, who appear to be Olive M. Farmer,
 Gary D. Farmer and Martha Ann Stephenson
 (16/42 of .15)0571429 RI
 Carl V. Farmer (2/42 of .15)0071429 RI
 Louis C. Farmer (2/42 of .15)0071429 RI
 Audrey Farmer Foster (2/42 of .15)0071429 RI
 Helen Farmer Dashen (2/42 of .15)0071429 RI
 Shirley Farmer Linder (2/42 of .15)0071429 RI
 Walter C. Farmer (2/42 of .15)0071429 RI

Jessica P. Hall, Trustee under Assignments
dated March 8, 1974, recorded Book 728,
Page 139, and Book 728, Page 1400100000 ORI

Eleanor P. Jordan, Trustee under Assignments
dated March 8, 1974, recorded Book 728,
Page 141, and Book 728, Page 1420100000 ORI

Hugh J. Mitchell0100000 ORI

Mary Rose Ortel0275000 ORI

Western Distributing Company Employees Trust0112792 ORI

Anthony F. Zarlengo0152269 ORI

L. G. Krieger0076135 ORI

The heirs and devisees of Dawn G. Bleakley,
deceased, who appear to be Harold J.
Bleakley, Georgia Lee Kelton, Candace
Lenoir Kelton Cox, and Mary Cooke Ellis,
Trustee under the Will of Dawn G.
Bleakley, deceased0380673 ORI

Glen Dial, Jr.0203128 ORI

*Brooks Exploration Incorporated7000000 WI

*As to 1/2 thereof, subject to reversionary interests reserved in
Assignment dated August 28, 1961, recorded Book 515, Page 134,
following recovery of the costs specified therein.

C. NE/4

1. Surface and Minerals

The heirs and devisees of Rodney Allen Rawson
and Mary L. Rawson, apparently both deceased,
who appears to be William Walters 3/8

Betty Jean Rawson Fairchild 5/8

2. Oil and Gas Leasehold Estate, Only Below the Base of the Pictured
Cliffs Formation, Except D Below

The heirs and devisees of Rodney Allen
Rawson and Mary L. Rawson, apparently
both deceased, who appears to be William
Walters (3/8 of 1/8)0468750 RI

Betty Jean Rawson Fairchild (5/8 of 1/8)0781250 RI

Supron Energy Corporation8750000 WI

D. Oil and Gas Leasehold Estate in Dakota Formation, Underlying E/2
Section 35

El Sol Corporation (.175 of 1/4)0437500 RI

J. C. Brown and Alice Brown (7/42 of .15 of
1/4)0062500 RI

Wes Oliver and Leona Oliver (7/42 of .15 of
1/4)0062500 RI

The heirs and devisees of Raymond D. Farmer,
deceased, who appear to be Olive M. Farmer,
Gary D. Farmer and Martha Ann Stephenson
(16/42 of .15 of 1/4)0142857 RI

Carl V. Farmer (2/42 of .15 of 1/4)0017857 RI

Louis C. Farmer (2/42 of .15 of 1/4)0017857 RI

Audrey Farmer Foster (2/42 of .15 of 1/4)0017857 RI

Helen Farmer Dashen (2/42 of .15 of 1/4)0017857 RI

Shirley Farmer Linder (2/42 of .15 of 1/4)0017857 RI

Walter C. Farmer (2/42 of .15 of 1/4)0017857 RI

The heirs and devisees of Rodney Allen Rawson and Mary L. Rawson, apparently both deceased, who appears to be William Walters (3/8 of 1/8 of 1/2)0234375 RI

Betty Jean Rawson Fairchild (5/8 of 1/8 of 1/2)0390625 RI

Hugh J. Mitchell (.01 of 1/2)0050000 ORI

William G. Drosten, Jr., Trustee under the Will of Alma P. Griesedieck (.01078125 of 1/4)0026953 ORI

Walter E. Ortel (.02875 of 1/4)0071875 ORI

Western Distributing Company Employees Trust (.01179199 of 1/4 + .0112792 of 1/4)0057678 ORI

Anthony F. Zarlengo (.0159191865 of 1/4 + .01522692 of 1/4)0077866 ORI

L. G. Krieger (.00795959325 of 1/4 + .00761346 of 1/4)0038934 ORI

Jessica P. Hall, Trustee under Assignments dated March 8, 1974, recorded Book 728, Page 139, and Book 728, Page 140 (.01 of 1/4)0025000 ORI

Eleanor P. Jordan, Trustee under Assignments dated March 8, 1974, recorded Book 728, Page 141, and Book 728, Page 142 (.01 of 1/4)0025000 ORI

Mary Rose Ortel (.0275 of 1/4)0068750 ORI

The heirs and devisees of Dawn G. Bleakley, deceased, who appear to be Harold J. Bleakley, Georgia Lee Kelton, Candace Lenoir Kelton Cox, and Mary Cooke Ellis, Trustee under the Will of Dawn G. Bleakley, deceased (.0380673 of 1/4 + .03979796625 of 1/4)0194663 ORI

Glen Dial, Jr. (.0203128 of 1/4)0050782 ORI

*Brooks Exploration Incorporated (.70 of 1/2)3500000 WI

Supron Energy Corporation (.875 of 1/2)4375000 WI

*As to 1/2 thereof, subject to reversionary interests reserved in Assignment dated August 28, 1961, recorded Book 515, Page 134, following recovery of the costs specified therein.

II. EFFECTIVE OIL AND GAS LEASES: The apparently effective oil and gas leases covering the captioned lands are briefly described as follows:

(a) Lease dated January 23, 1961, recorded Book 476, Page 55, between Trilon Oil Co., Inc., as lessor, and Carl H. Noel, as lessee, covering N/2 SE/4, at 17.5% royalty, and now held by Brooks Exploration Incorporated as to horizons below the base of the Pictured Cliffs formation.

(b) Lease dated July 10, 1956, recorded Book 310, Page 179, between Raymond D. Parmer, et al, as lessor, and Claud E. Aikman, as lessee, covering 2/3rds interest in E/2 SE/4, for a primary term of five years, at 15% royalty, and now held by Brooks Exploration Incorporated as to horizons below the base of the Pictured Cliffs formation.

(c) Lease dated August 7, 1956, recorded Book 310, Page 180, between Wes Oliver, et al, as lessor, and Claud E. Aikman, covering 1/3rd

mineral interest in E/2 SE/4, for a primary term of five years, at 15% royalty, and now held by Brooks Exploration Incorporated as to horizons below the base of the Pictured Cliffs formation.

(d) Lease dated April 2, 1956, recorded Book 296, Page 39, between Rodney Allen Rawson, et al, as lessor, to Southern Union Gas Company, as lessee, covering the entire mineral interest in NE/4, for a primary term of 10 years, at 1/8th royalty, now held by Supron Energy Corporation.

By instrument dated March 31, 1961, recorded Book 486, Page 28, the above leases were designated as pooled into a single unit consisting of the E/2 Section 35 for the production of gas from the Dakota formation.

III. COMMENTS:

1. Base Title Opinions. We have not examined the base abstracts on this lease, but instead have relied upon the prior title opinions described above. We believe that you may safely rely upon these prior title opinions, but you will understand that we cannot be responsible for the matters covered in those opinions.

2. Gas Purchase Agreement. By Supplemental Gas Purchase Agreement dated August 23, 1961, recorded Book 500, Page 140, reference was made to a Natural Gas Purchase Contract dated September 27, 1954, affecting E/2 Section 35. This gas contract is not shown in the abstracts, but since Supron Energy Corporation is a party to the agreement, we make no requirement.

3. Surface Rights-of-Way. Surface rights-of-way affecting portions of the captioned lands appear in the abstracts as follows:

(a) Right-of-Way dated June 28, 1961, recorded Book 487, Page 198, by Rodney A. Rawson, et al, to Southern Union Production Company, and crossing the NE/4.

(b) Right-of-Way dated June 23, 1961, recorded Book 487, Page 199, by Betty Jean Pairchild, et al, to Southern Union Production Company, and crossing the NE/4.

(c) Right-of-Way dated July 24, 1962, recorded Book 523, Page 261, by Betty Jean Rawson Pairchild, et al, to Southern Union Gathering Company, and crossing NE/4.

IV. REQUIREMENTS:

1. Extension of Leases. It cannot be determined from the abstracts whether the oil and gas leases described in II above are held by production in paying quantities obtained during the terms of the leases and continuing to a current date.

Either furnish satisfactory information to reflect that these leases are held by production in paying quantities, or satisfy yourselves that the leases are in effect.

2. Reversionary Interest. By Assignment dated August 28, 1961, recorded Book 515, Page 134, Carl Noel, then the owner of Leases (a), (b) and (c) assigned the same, only below the base of the Pictured

Cliffs formation, unto The Clayton Oil Company of 1961, Limited, a limited partnership, reserving a total royalty and overriding royalty of 30%. The assignment was subject to an Operating Agreement dated March 22, 1961, which does not appear in the abstracts. From the Assignment Noel reserved unto his heirs, successors and assigns a reversionary interest equal to 1/2 of the interest assigned, effective upon recovery of all costs incurred in drilling and completing wells under the Operating Agreement referred to above, without a time limitation. The assigned rights, subject to this reversionary interest, are now owned by Brooks Exploration Incorporated. This reversionary interest has been the subject of numerous assignments which have apparently resulted in over conveyances of this interest, and which are unintelligible in many respects as to the interests intended to be conveyed. The names of the parties acquiring such interest (or in some cases an interest claimed, but not evident) and the interest specified, with the addresses of any parties shown in the abstracts are set forth on Exhibit "A" to this opinion.

It cannot be determined from the abstracts whether these reversionary interests are now entitled to possession of their proportionate part of 1/2 of the leasehold interest. We understand Supron Energy Corporation proposes to subject these interests to compulsory pooling and drill additional wells on the captioned leases, lands and horizons.

A compulsory pooling order of the New Mexico Oil Conservation Division should be obtained prior to drilling additional wells on the captioned lands. The above named parties should either stipulate to their proportionate shares of the reversionary interest, or should be named defendants in a quiet title suit.

3. Conveyances by Strangers. By Quitclaims dated December 1, 1976, recorded Book 782, Page 276 and Book 782, Page 277, respectively, Marie Farmer and Laura Jean Buthorn quitclaimed E/2 Section 35 to Brooks Exploration, Inc. These parties were strangers to the title so far as appears from the base title opinions furnished for examination, but it is possible that the instruments conveyed interests in the lands not apparent from the abstracts.

An inquiry should be made of Brooks Exploration, Inc. to ascertain the nature of the interests conveyed by the above instruments, and we reserve further requirements.

4. Glen Dial, Jr. Interest. By Assignment and Quitclaim dated November 22, 1963, recorded Book 567, Page 68, a briefed copy of which appears in the abstracts, Carl H. Noel quitclaimed all his interest in Lease (a) in II above unto Glen Dial, Jr. As stated, this instrument was briefed and we are unable to determine that it conveyed the assignor's interest under Leases (b) and (c) as well as Lease (a). Certain Mortgages (later released) which appear in the abstracts reflect that Glen Dial, Jr. claimed the following interest in SE/4 pursuant to Leases (a), (b) and (c):

27/32 of 7/8 of 13% reversionary interest in W/2 SE/4
27/32 of 7.546875% overriding royalty interest in W/2 SE/4

27/32 of 7/8 of 6% reversionary interest in E/2 SE/4
27/32 of 7.21875% overriding royalty interest in E/2 SE/4

Cliffs formation, unto The Clayton Oil Company of 1961, Limited, a limited partnership, reserving a total royalty and overriding royalty of 30%. The assignment was subject to an Operating Agreement dated March 22, 1961, which does not appear in the abstracts. From the Assignment Noel reserved unto his heirs, successors and assigns a reversionary interest equal to 1/2 of the interest assigned, effective upon recovery of all costs incurred in drilling and completing wells under the Operating Agreement referred to above, without a time limitation. The assigned rights, subject to this reversionary interest, are now owned by Brooks Exploration Incorporated. This reversionary interest has been the subject of numerous assignments which have apparently resulted in over conveyances of this interest, and which are unintelligible in many respects as to the interests intended to be conveyed. The names of the parties acquiring such interest (or in some cases an interest claimed, but not evident) and the interest specified, with the addresses of any parties shown in the abstracts are set forth on Exhibit "A" to this opinion.

It cannot be determined from the abstracts whether these reversionary interests are now entitled to possession of their proportionate part of 1/2 of the leasehold interest. We understand Supron Energy Corporation proposes to subject these interests to compulsory pooling and drill additional wells on the captioned leases, lands and horizons.

A compulsory pooling order of the New Mexico Oil Conservation Division should be obtained prior to drilling additional wells on the captioned lands. The above named parties should either stipulate to their proportionate shares of the reversionary interest, or should be named defendants in a quiet title suit.

3. Conveyances by Strangers. By Quitclaims dated December 1, 1976, recorded Book 782, Page 276 and Book 782, Page 277, respectively, Marie Farmer and Laura Jean Ruthorn quitclaimed E/2 Section 35 to Brooks Exploration, Inc. These parties were strangers to the title so far as appears from the base title opinions furnished for examination, but it is possible that the instruments conveyed interests in the lands not apparent from the abstracts.

An inquiry should be made of Brooks Exploration, Inc. to ascertain the nature of the interests conveyed by the above instruments, and we reserve further requirements.

4. Glen Dial, Jr. Interest. By Assignment and Quitclaim dated November 22, 1963, recorded Book 567, Page 68, a briefed copy of which appears in the abstracts, Carl H. Noel quitclaimed all his interest in Lease (a) in II above unto Glen Dial, Jr. As stated, this instrument was briefed and we are unable to determine that it conveyed the assignor's interest under Leases (b) and (c) as well as Lease (a). Certain Mortgages (later released) which appear in the abstracts reflect that Glen Dial, Jr. claimed the following interest in SE/4 pursuant to Leases (a), (b) and (c):

27/32 of 7/8 of 13% reversionary interest in W/2 SE/4
27/32 of 7.546875% overriding royalty interest in W/2 SE/4

27/32 of 7/8 of 6% reversionary interest in E/2 SE/4
27/32 of 7.21875% overriding royalty interest in E/2 SE/4

As noted in our ownership schedule in I above, these claimed interests do not accord with record title to the reversionary interest and overriding royalties claimed by Glen Dial, Jr. Glen Dial, Jr. should either stipulate to his interest as set forth in I above, or should be named a defendant in a quiet title suit.

5. Dawn G. Bleakley Interest. We have credited the heirs and devisees of Dawn G. Bleakley, deceased, with the overriding royalty set forth in I above. This person died testate July 15, 1965, and ancillary proceedings upon her will were conducted in the Probate Court of San Juan County, Cause No. 3004, and left Harold J. Bleakley, Georgia Lee Kelton, Candace Lenoir Kelton Cox, and Mary Cooke Ellis, Trustee under the Will of Dawn G. Bleakley, deceased, as her heirs and devisees. These proceedings are not shown in full in the abstracts and without an examination thereof, we are unable to determine the sufficiency of these probate proceedings.

If production is obtained, it will be necessary either that we be furnished certified copies of the above probate proceedings for examination, or that you otherwise ascertain the owners of this interest.

6. Brown Mineral Interest. The base title opinion on E/2 SE/4 credited J. C. Brown, et ux, with the surface and 1/6th the minerals in these lands. By Warranty Deed date August 17, 1962, recorded Book 523, Page 301, the E/2 SE/4 was conveyed to W. W. Barefoot, et ux. The deed is ambiguous as to whether the reservation of all oil, gas and other minerals set forth therein applied to all tracts described or to less than all. If the Brown mineral interest were construed to have passed, it would now be vested in Robert C. Lybrook and Georgia M. Lybrook, his wife.

Suspend the royalty interest credited to J. C. Brown and Alice Brown in I above until Robert C. Lybrook and Georgia M. Lybrook, his wife, have either quitclaimed the minerals to J. C. Brown, et ux, or have stipulated with respect to the ownership thereof.

7. Omitted Instruments in Abstracts. At Page 70 of Abstract N-20,209 furnished for examination, the second page of an instrument appears, dated April 19, 1962, wherein Carl H. Noel was assignor and Jack Kohn and Louise Kohn were assignees. This instrument is not shown in full and without an examination thereof, we are unable to determine its effect on the captioned lands, but the same appears to have been an assignment of some interest in Leases (a), (b) and (c).

We should be furnished with a copy of the complete instrument appearing at Page 70 referred to above for examination, and reserve further requirements.

8. Cloud on Title. As described in Requirement 2 above, Carl H. Noel conveyed all rights in Leases (a), (b) and (c) in II above, below the base of the Pictured Cliffs formation, by instrument dated August 28, 1961, recorded Book 515, Page 134. As referred to in Requirement 4 above, Noel subsequently quitclaimed to Glen Dial, Jr. By instrument dated May 28, 1964, recorded Book 587, Page 59, and Book 587, Page 58, Dial purported to convey a portion of the working interest, below the Pictured Cliffs formation, to Anthony F. Zarlengo, L. G. Krieger and Dawn G. Bleakley (since deceased, the interest having passed to the parties described in Requirement 5 above).

The foregoing Assignment is a cloud on the leasehold estate below the base of the Pictured Cliffs formation. Either obtain and record quit-claims by the above named interest owners and Glen Dial, Jr. (whose wife is Mary A. Dial) as to all horizons lying below the base of the Pictured Cliffs formation, or the above named parties should be named defendants in a quiet title suit.

9. Raymond D. Farmer Interest. Raymond D. Farmer was credited with 8/21sts mineral interest in E/2 SE/4 by the base title opinion furnished for examination. This person died testate September 28, 1971, and proceedings upon his will were conducted in the Probate Court of San Juan County, Cause No. 3282. Only briefed copies of these proceedings appear in the abstracts and we are unable to determine the sufficiency thereof and the parties to whom the interest passed. The decedent left his widow, Olive M. Farmer, and his children, Gary D. Farmer and Marsha Ann Stephenson, surviving him. The inventory in those proceedings claimed 1/6th the minerals in the E/2 SE/4.

If production is obtained, an inquiry should be made as to the reason the lesser mineral interest was inventoried in E/2 SE/4, and it will be necessary that we either be furnished certified copies of the foregoing proceedings for examination or that you otherwise ascertain the parties to whom this interest passed.

10. E. O. Perry Interest. The base title opinion credited E. O. Perry with 28 overriding royalty interest in E/2 SE/4. By four instruments dated March 2, 1974, recorded Book 728, Pages 139, 140, 141 and 142, E. O. Perry, without indication of his marital status, conveyed the overriding royalty interest to Jessica P. Hall, Trustee, and Eleanor P. Jordan, Trustee, respectively. No such trust instruments appear in the abstract.

If production is obtained, obtain and record an affidavit that E. O. Perry and E. Q. Perry are the same party. An inquiry with respect to the marital status of E. Q. Perry on the date he acquired these interests should be obtained, and we reserve further requirements. The trust instruments under which the above named trustees act should be recorded in San Juan County and we should be furnished a copy thereof to determine the authority of the trustees to accept royalties on behalf of the beneficiaries.

11. Rodney Allen Rawson Interest. The base title opinion credited Rodney Allen Rawson with 3/8ths interest in the surface and minerals in NE/4. Mary L. Rawson, who was apparently the wife of Rodney Allen Rawson is deceased, and proceedings on her will were conducted in the District Court of San Juan County, Cause No. P-79-1, which are briefed in the abstracts. By Instrument of Distribution, recorded Book 856, Page 474, Lillian Hicks, Personal Representative under the Will of Mary L. Rawson, deceased, conveyed the interest to William Walters, as sole distributee.

If production is obtained, an inquiry should be made with respect to Rodney Allen Rawson. If this party is deceased, we should be furnished an affidavit of heirship, together with a copy of any will he may have left, and reserve further requirements. In such event, the heirship of Rodney Allen Rawson should be determined by a New Mexico court. It will be necessary that either we examine the above cited probate proceedings of Mary L. Rawson to determine the sufficiency thereof, or that you otherwise ascertain this information.

12. Unsatisfied Requirements. The following requirements, on the tracts indicated, made in the base opinions furnished for examination, are not shown to be satisfied by materials in the abstracts:

W/2 SE/4
E/2 SE/4
NE/4

Requirement 2
Requirements 1, 4 and 5
Requirements 1 and 4

Either satisfy these requirements, or determine that you have elected to waive the same, at your discretion.

When the requirements set forth above have been satisfied, we will approve title, for division order purposes, to the lands and horizons described in the caption hereof, on the date to which the abstracts were last certified, in accordance with this opinion.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.

Chad Dickerson

Chad Dickerson

CD:pvm

Abstracts returned herewith

EXHIBIT "A" TO TITLE OPINION NO. 4978
REQUIREMENT NO. 2

<u>Name</u>	<u>Address</u>	<u>Interest</u>
Thomas Beverly Schilling and Ann Gautier Schilling	Not Shown	16.66666000
William G. Drost, Jr., Trustee under the Will of Alma F. Griesedieck	c/o Trust Department Boatmen's National Bank Main P. O. Box 236 St. Louis 66, MO	W/2 SE/4 4.86110000 E/2 SE/4 3.17460000
Ralph E. Rubins	6102 Blackburn Avenue Los Angeles, CA	5.55556000
Moulton B. Goff	1860 Bel Air Road Los Angeles 24, CA	2.85714000
William J. Thornton	227 S. Lucerne Los Angeles 4, CA	16.66666000
Mary R. Stauffer	Not Shown	14.28570000
Western Distributing Com- pany Employees Trust	2201 19th Street Denver, CO	W/2 SE/4 5.07811000 E/2 SE/4 2.34375000
The heirs and devisees of Ellen G. Berend, deceased, who appears to be Wayne Ofstedahl	c/o Tansey, Wood, Rosebrough & Roberts P. O. Box 659 Farmington, NM	6.34920000
Bruce Howard Lindsay	305-1/2 32nd Street Newport Beach, CA	3.17460000
Anthony F. Zarlenqo	Majestic Building Denver, CO	W/2 SE/4 5.46655900 E/2 SE/4 2.21483700
L. G. Krieger	450 Home Aurora, CO	W/2 SE/4 2.73327900 E/2 SE/4 1.01741850
The heirs and devisees of Dawn G. Bleakley, deceased, who appear to be Harold J. Bleakley, Georgia Lee Kelton, Candace Lenoir Kelton Cox, and Mary Cooke Ellis, Trustee under the Will of Dawn G. Bleakley, deceased	2950 E. Stanford Englewood, CA	W/2 SE/4 13.66639900 E/2 SE/4 5.53709250
Gladys Murphy	4118-1/2 S. Victoria Los Angeles 8, CA	W/2 SE/4 13.33334000 E/2 SE/4 7.77778000
Jack R. Kohn and Louise Kohn, both single	2790 Wynglen Lane Los Angeles 22, CA	2.85714000

<u>Name</u>	<u>Address</u>	<u>Interest</u>
Roger K. Stewart	2115 Las Palomas Drive La Habra, CA	1.42358000
Eugene P. Mathias	12027 Venice Boulevard Mar Vista 66, CA	22.85716000
Benjamin M. Taylor	1385 Westwood Boulevard Los Angeles 24, CA	2.85714000
Malcolm C. Todd	1933 Pacific Avenue Long Beach 6, CA	14.28572000
Harry R. Sherman	3662 Ventura Canyon Sherman Oaks, CA	3.17460000
Glen Dial, Jr.	Denver, CO	W/2 SE/4 27/32 of 7/8 of 130 E/2 SE/4 27/32 of 7/8 of 130

May 7 1962

at 10:13 o'clock A.M.
and Recorded in Book 515
Page 134

13
ASSIGNMENT OF OIL AND GAS LEASES
AND INTEREST UNDER COMMUNITIZATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, CARL H. NOEL, a single man, having offices at 1430 First National Bank Building, Denver 2, Colorado, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has bargained, sold, transferred, assigned and conveyed, and by these presents does bargain, sell, transfer, assign and convey, the undersigned, THE CLAYTON OIL COMPANY OF 1961, LTD., a limited partnership, having offices at 712 Patterson Building, Denver 2, Colorado, all of his right, title and interest in and to the following described oil and gas leases, or interests or rights therein, covering lands in San Juan County, New Mexico:

1. Oil and Gas Lease dated August 7, 1956, from Wes Oliver and Leona M. Oliver, husband and wife, and J. C. Brown and Alice H. Brown, husband and wife, as Lessors, to Claud E. Aikman, as Lessee, recorded in Book 310, page 180, of the records of San Juan County, New Mexico, insofar and only insofar as said lease covers all rights and horizons below the base of the Pictured Cliff Formation in the following described land:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: E/2 SE/4

containing 80 acres, more or less, and subject to royalties and overriding royalties in the amount of 30%.

2. Oil and Gas Lease dated July 10, 1956, from Raymond D. Farmer and Olive M. Farmer, husband and wife, Shirley M. Linder, a single woman, Louis C. Farmer and Frances Farmer, husband and wife, Walter C. Farmer, a single man, Carl V. Farmer and Marie Farmer, husband and wife, Audrey Foster and Howard N. Foster, husband and wife, Helen M. Dashen and Felix Dashen, husband and wife, as Lessors, to Claud E. Aikman, as Lessee, recorded in Book 310, page 179, of the records of San Juan County, New Mexico, insofar and only insofar as said lease covers all rights and horizons below the base of the Pictured Cliff formation in the following described land:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: E/2 SE/4

containing 80 acres, more or less, and subject to royalties and overriding royalties in the amount of 30%.

3. Oil and gas lease dated January 23, 1961, from Trilon Oil Co., Inc., as Lessor, to Carl H. Noel, as Lessee, recorded in Book 476, page 55, of the records of San Juan County, New Mexico, insofar and only insofar as said lease covers all rights and horizons below the base of the Pictured Cliff formation in the following described land:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: W/2 SE/4

containing 80 acres, more or less, and subject to royalties and overriding royalties in the amount of 30%.

Carl H. Noel has heretofore committed each of the above described Oil and Gas Leases, or interests or rights therein, to a certain Declaration of Pooling, dated March 31, 1961, recorded May 29, 1961, in Book 486, page 28, of the records of San Juan County, by and between Southern Union Production Company and Carl H. Noel, which Declaration of Pooling establishes a communitized area covering:

Township 31 North, Range 12 West, N.M.P.M.
San Juan County, New Mexico

Section 35: E/2, containing 320
acres, more or less;

and extends to and includes only the Dakota formation underlying said lands and the dry gas and associated hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation.

For the same considerations as above described, Carl H. Noel has bargained, sold, transferred, assigned and conveyed, and by these presents does bargain, sell, transfer, assign and convey to The Clayton Oil Company of 1961, Ltd., all of his percentage of interest in the communitized area, namely an aggregate of 50%, subject to such royalties, overriding royalties and other lease burdens which are presently payable under the above described Oil and Gas Leases, or interests or rights therein.

All of the interests hereby assigned are subject to a certain Operating Agreement, dated March 22, 1961, between the same parties who executed the above described Declaration of Pooling and covering the same lands.

RESERVING, however, to Carl H. Noel, his heirs and assigns, as a reversionary interest, an undivided one-half of the interests hereby assigned, this reversionary interest to vest in possession in Carl H. Noel, his heirs and assigns, when The Clayton Oil Company of 1961, Ltd. shall have recouped from the interests hereby assigned to it a sum equal to the costs attributable or allocated to the interests hereby assigned pursuant to said operating agreement dated March 22, 1961, of drilling, equipping, completing, testing and operating a well or wells on the communitized area.

The Clayton Oil Company of 1961, Ltd. shall be deemed to have recouped such sum when the operating net income from any production accruing to it from the interests hereby assigned, after the payment of all costs of operations, first equals a sum equal to the costs attributable or allocated to the interests hereby assigned pursuant to said operating agreement dated March 22, 1961, of drilling, equipping, completing, testing and operating a well or wells on the communitized area.

The "operating net income" is the total operating gross income from production reduced by an amount equal to the costs of operations.

The "total operating gross income" is the gross income from production excluding income attributable to royalty interests, overriding royalty interests, and other lease burdens presently payable.

At such time as the above described reversionary interest vests in possession in Carl H. Noel, or his heirs and assigns, The Clayton Oil Company of 1961, Ltd. will deliver to Carl H. Noel, or his heirs or assigns, a recordable assignment of such interest, which assignment shall contain covenants of special warranty, warranting the title assigned against all persons claiming by, through or under The Clayton Oil Company of 1961, Ltd.

No purchaser of production from the interests hereby assigned shall be charged with any duty to determine when or on what event the reversionary interest hereby reserved shall vest in possession in Carl H. Noel, or his heirs and assigns, and such purchaser shall never be held liable for any overpayment to The Clayton Oil Company of 1961, Ltd., or failure to pay Carl H. Noel, or his heirs and assigns, on account of such reserved reversionary interest.

134-5

TO HAVE AND TO HOLD unto The Clayton Oil Company of 1961, Ltd., its successors and assigns, in accordance with all of the terms and conditions of this instrument, Carl H. Noel hereby warranting title only against persons claiming by, through or under him.

28th IN WITNESS WHEREOF, this instrument is executed this day of AUGUST, 1961.

Carl H. Noel
Carl H. Noel

THE CLAYTON OIL COMPANY OF 1961, LTD.,
a Limited Partnership

By A. J. Courson
A. J. Courson, the sole General Partner

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this day of August, 1961, by Carl H. Noel, a

My commission expires Nov. 14, 1961.

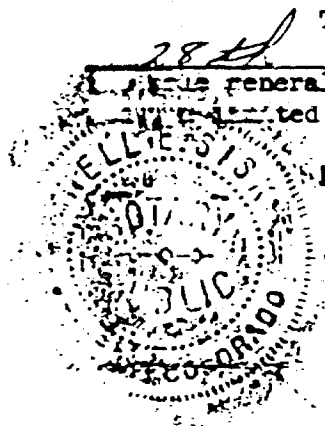


W. E. Link
Notary Public

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this day of August, 1961, by A. J. Courson, a general partner on behalf of The Clayton Oil Company of 1960, a limited partnership.

My commission expires Nov. 14, 1961.



W. E. Link
Notary Public

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
<u>Supp</u>	EXHIBIT NO. <u>2</u>
CASE NO. <u>7205</u>	

February 15, 1980

Brooks Exploration, Inc.
2110 Weston Federal Savings Building
718 Seventeenth Street
Denver, CO 80202

RE: Ransom #1 E Well
SD# Sec. 35, T-31N, R-12-W
San Juan County
NEW MEXICO

Gentlemen:

Enclosed you will find four copies of our AFE, Three copies of the Amended Operating Agreement, and three copies of Declaration of Pooling covering the captioned area for your consideration and approval. The well is on our current proposed 1980 Drilling Program for the San Juan Basin.

We are sending you all the copies and request that you secure signatures on everything from Carl H. Noel. We do not have a current address for Mr. Noel, but thought you may have an address for him since he has a reversionary interest under his assignment to you.

When you have secured all of the necessary signatures, please return one fully executed copy of our AFE, Joint Operating Agreement, and Designation of Pooling for our further handling. Your assistance in the earliest possible return of these documents would be appreciated as we have a rig available in the area.

Yours very truly,

Gaby Bjerke
Landman

GB:ap

Enclosures

February 20, 1980

Brooks Exploration Company
2110 Western Federal Savings Building
Denver, CO 80202

Attention: MR. JOHN KING

RE: Rawson #1 "E" Well
E₁ Sec. 35, T31N, R12W
San Juan County
NEW MEXICO

Gentlemen:

Pursuant to our recent conversation, the estimated economics of the captioned well goes as follows:

Estimated Reserve: 500MCF
Price: \$2.72 per MCF increasing at least
5% a year + condensate if any

If Production is less than 60 MCF per day, we will receive
Shipper price of \$3.25 per MCF.

Well should pay out in two years (?)

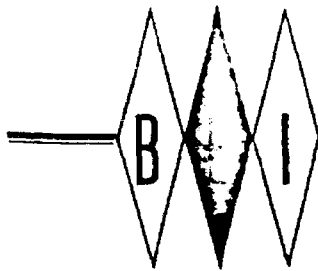
NOTE: All of the above are estimates.

Enclosed you will find old Title Opinions and a current list of payees.
A copy of the old well economics is also enclosed. Please contact me if
I can be of further assistance.

Yours very truly,

Gaby Bjerke
Landman

GB:ap



BROOKS EXPLORATION INCORPORATED

Oil and Gas Exploration and Leasing

2110 WESTERN FEDERAL SAVINGS BLDG.

718 SEVENTEENTH STREET

DENVER, COLORADO 80202

(303) 292-1270

July 10, 1980

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

Attention: Mr. Gabby Bjerke

Re: Rawson #1- "E" Well
E/2 Section 35, T31N, R12W
San Juan County, New Mexico

Gentlemen:

We have had your proposed AFE on the above referenced well for sometime considering its potential to Brooks Exploration. Numerous problems arise with this location. Brooks Exploration has in the Rawson #1 well a 50% WI (35% NRI) until payout which reverts to 1/2 of these percentages. The Rawson #1 at present still lacks \$61,588 to payout as to our 1/2 interest. At best, it would probably take ten years even with increased prices. Since this well was poor from the very beginning and due to the low starting gas prices, it was never considered the well might payout. The original division orders do not even reflect who the reversionary interest owners are and it will be a detective job to find them.

The reversionary interest holders do not participate in any further drilling on the property until the #1 is paid out, therefore, Brooks Exploration would have to pay for 50% interest which would revert to 17.5% NRI at payout of a new well. This does not sound like good economics to me.

We have discussed this production with your Mr. Motto in Farmington and we both realize there is additional potential, not only in the Dakota but also Mesa Verde. Mr. Motto questions whether we could re-complete the #1 from shallower zones due to pipe conditions. The shallower gas would also receive old price in this hole.

July 10, 1980

Supron Energy Corporation
Attention: Mr. Gabby Bjerke


Re: Rawson #1-"E" Well
E/2 Section 35, T31N, R12W
San Juan County, New Mexico

Brooks Exploration, therefore, is starting the procedure to trace down the reversionary interest owners in an effort to do one of the following:

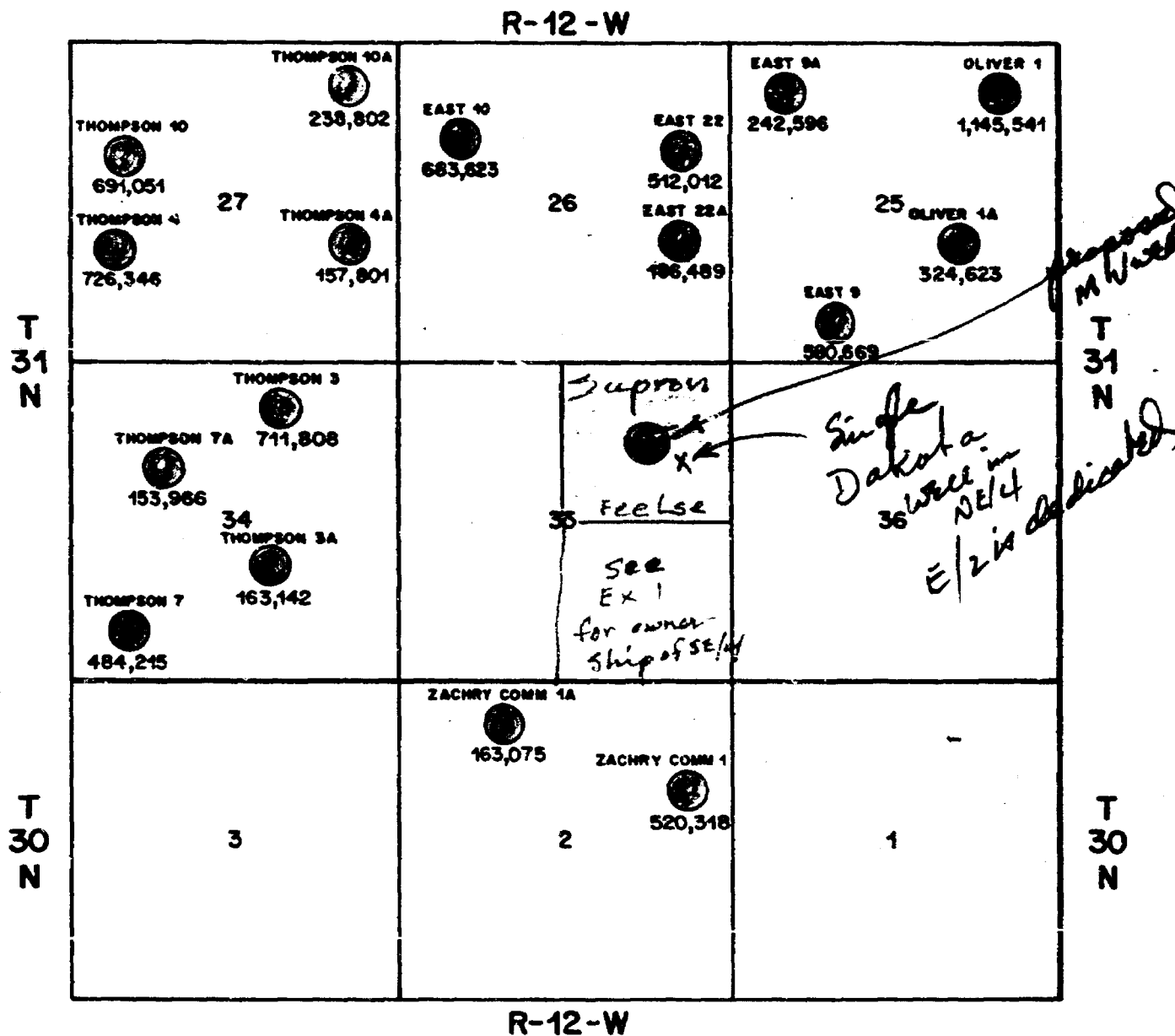
- A. Trade reversionary interest for ORR.
- B. Set out the SE/4 as a new deal whereby they would participate in drilling costs.

This procedure will take some time and I will keep you informed. I hope this explains our position. We are trying hard to add reserves to our company and feel this #1-E would do it but the difficulties have to be solved first.

Very truly yours,


Bill J. Brooks
President

BJB/md



LEGEND

- PROPOSED NON-STANDARD SPACING UNIT
- PROPOSED MESA VERDE TEST
- EXISTING MESA VERDE WELL
- 100,000 CUMULATIVE PRODUCTION THRU NOVEMBER 1980 (MCF)

Supron Energy Corporation

RAWSON AREA
 TOWNSHIP 30 & 31 NORTH
 RANGE 12 WEST
 SAN JUAN CO., NEW MEXICO
 SCALE : 2" = 1 MILE

- CASE 7200: Application of Estoril Producing Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Belco Fed. Well No. 1 located in Unit O of Section 15, Township 23 South, Range 34 East, to produce gas and gas liquids from the Strawn and Morrow formations, Antelope Ridge Field, thru parallel strings of tubing.
- CASE 7201: Application of Layton Enterprises, Inc. for a unit agreement, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Todd Lower San Andres Unit Area, comprising 3256 acres, more or less, of Federal and State lands in Township 7 South, Ranges 35 and 36 East.
- CASE 7202: Application of Layton Enterprises, Inc. for a waterflood project, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the San Andres formation thru 4 injection wells located in Sections 30, 31 and 32 of its Todd Lower San Andres Unit in Township 7 South, Range 36 East.
- CASE 7203: Application of Southern Union Exploration Co. of Texas for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Susco Bough "C" Unit Area, comprising 2560 acres, more or less, of State lands in Township 10 South, Range 33 East.
- CASE 7204: Application of Bass Enterprises Production Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the interval from 3820 feet to 3915 feet in its Federal Legg Well No. 1 in Unit B of Section 27, Township 22 South, Range 30 East, Quahada Ridge Field.
- CASE 7205: Application of Supron Energy Corporation for a non-standard gas proration unit, San Juan 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 35, Township 31 North, Range 12 West, to be dedicated to a well to be drilled at a standard location thereon.
- CASE 7183: (Continued from March 11, 1981, Examiner Hearing)
Application of Flag-Redfern Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Osudo St. Com Well No. 2 at an unorthodox location 990 feet from the North and East lines of Section 18, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool.
- CASE 7206: Application of Mobil Producing Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through perforations from 12,212 feet to 12,218 feet and the open hole interval from 12,240 feet to 12,555 feet in its Santa Fe Pacific Well No. 3 in Unit M of Section 26, Township 9 South, Range 36 East, Crossroads Field.
- CASE 7207: Application of Mobil Producing Inc. for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the commingling of Vacuum Grayburg-San Andres production from the State J and State II leases in Section 22, Township 17 South, Range 34 East.
- CASE 7208: Application of Gulf Oil Corporation for the amendment of pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the White City-Pennsylvanian Gas Pool Rules to provide for 320-acre spacing rather than 640 acres with well locations specified as being at least 1650 feet from the end boundary and 660 feet from the side boundary of the proration unit.
- CASE 7129: (Continued from February 25, 1981, Examiner Hearing)
Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the N/2 of Section 28, Township 28 North, Range 8 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7169: (Continued from February 25, 1981, Examiner Hearing)
Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 22, Township 25 North, Range 8 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.

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

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

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

March 9, 1981

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

Case 7205

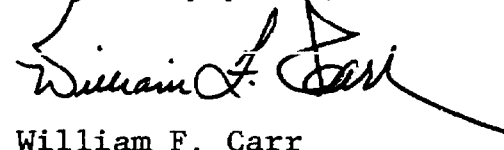
Re: Application of Supron Energy Corporation for
a Non-Standard Proration Unit, San Juan County,
New Mexico

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 March 25, 1981.

Very truly yours,


William F. Carr

WFC:lr

Enclosures

cc: Mr. William S. Jameson

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

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

Case 7205

APPLICATION

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

1. Applicant is the operator of the NE/4 of Section 35, Township 31 North, Range 12 West, N.M.P.M., San Juan County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Mesaverde formation comprising the NE/4 of said Section 35.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the NE/4 of said Section 35.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

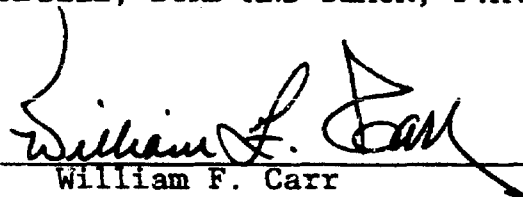
WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as

required by law, the Division enter its Order approving the application.

Respectfully submitted,

CAMPBELL, BYRD 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, SAN JUAN COUNTY,
NEW MEXICO.

Case 7205

APPLICATION

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

1. Applicant is the operator of the NE/4 of Section 35, Township 31 North, Range 12 West, N.M.P.M., San Juan County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Mesaverde formation comprising the NE/4 of said Section 35.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the NE/4 of said Section 35.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

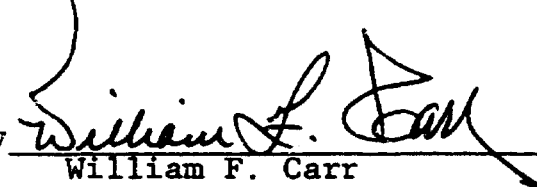
WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as

required by law, the Division enter its Order approving the application.

Respectfully submitted,

CAMPBELL, BYRD 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, SAN JUAN COUNTY,
NEW MEXICO.

Case 7205

APPLICATION

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

1. Applicant is the operator of the NE/4 of Section 35, Township 31 North, Range 12 West, N.M.P.M., San Juan County, New Mexico.
2. Applicant seeks the establishment of a 160 acre non-standard gas proration unit in the Mesaverde formation comprising the NE/4 of said Section 35.
3. That said proposed non-standard proration unit will be dedicated to a well to be drilled at an orthodox location within the NE/4 of said Section 35.
4. That granting this application is in the interest of conservation, the prevention of waste and protection of correlative rights.

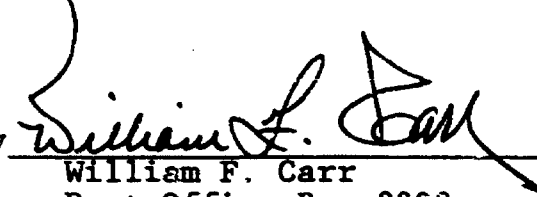
WHEREFORE, Applicant respectfully requests that this matter be set for hearing before one of the Division's duly appointed examiners and that after notice and hearing as

required by law, the Division enter its Order approving the application.

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By



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

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To

Called in by Bill Carr
3/5/81

Supron Energy Corporation
Non-Standard Gas Proration
Unit

160 acres
Mesaverde

NE1/4 35-T31N-R12W

San Juan County

OIL CONSERVATION COMMISSION-SANTA FE

DRAFT

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. 7205

Order No. R- 6644

EP
PR
APPLICATION OF SUPRON ENERGY CORPORATION
GAS
FOR A NON-STANDARD/PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO. *du*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 25
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.
NOW, on this day of April, 19 81, 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
seeks approval of a 160-acre non-standard gas proration unit
comprising the NE/4 of Section 35, Town-
ship 31 North, Range 12 West, NMPM, to be dedicated to
a well to be drilled at a standard location thereon.

~~Unit of said Section~~
xxxxx Unit xxxxxxxxxxxx of said Section xxxxxxxx.

(3) That the entire non-standard proration unit may reasonably
be presumed productive of gas from the Blanco Mesaverde
Gas Pool and that the entire non-standard gas proration unit can
be efficiently and economically drained and developed by the
aforesaid well.

(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Blanco Mesaverde Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That ^{upon application of Sapron Energy Corporation} a 1160-acre non-standard gas proration unit in the Blanco Mesaverde Gas Pool comprising the NE/4 of Section 35, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico, is hereby established ^{to be} and dedicated to ~~its~~ a well to be drilled at a standard location thereon. ~~located in Unit~~ of said ~~Section~~ Section.

(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.