



P. O. BOX 767, MIDLAND, TEXAS 79701 (915) 683-4871

September 15, 1972

Oil Conservation Commission
State of New Mexico
P. O. Box 1980
Hobbs, New Mexico 88240

Attention: Mr. Joe D. Ramey
Supervisor, District 1

RE: Commingling of
HNG Oil Company's
RAF "30" Wells No.
3, 4 & 5

Dear Sir:

HNG Oil Company is asking permission to commingle two zones, the Devonian and Fusselman, into a central tank battery of Federal Lease No. LC-067968. Wells numbered 3, 4 & 5 are producing from the Devonian zone and wells numbered 1 & 2 are producing from the Fusselman zone. At the present time wells 3, 4 & 5 are going into extra stock tanks on the lease. We plan to produce the three Devonian wells through a metering separator and then into the heater treater with the two Fusselman wells. We plan to allocate production by using the New Mexico Oil Conservation Commission's form C-116. We plan to meter the Devonian wells due to the fact that they make no water.

As evidenced by the enclosed Division of Interest Title Opinion the ownership interest's are all the same and all wells are covered under the same Federal Lease Number.

In view of the above, HNG Oil Company is asking for administrative approval to commingle wells numbered 1, 2, 3, 4 & 5.

HNG RAF 30 # 1 O 30 Fuss 138 230
2 P 30 Fuss 86
Very truly yours,

RAF 30 # 5 P 30 Dev 100 100
HNG OIL COMPANY

George R. McBride
Admin. Ass't. to Dist. Supt.

GRM/dm
Encl.

Division of Interest Title Opinion
Plat showing wells, flow lines, separators and tanks.

RECEIVED

CLERK OF DISTRICT COURT
MIDLAND COUNTY, TEXAS

JAMES T. JENNINGS
SIM B. CHRISTY IV
ROGER L. COPPLE
BRIAN W. COPPLE

LAW OFFICES OF
JENNINGS, CHRISTY & COPPLE
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432
AREA CODE 505

January 24, 1972

IN RE OPINION OF TITLE TO:
Oil and Gas Lease bearing Las
Cruces Serial No. 067968 insofar
as it covers the SE $\frac{1}{4}$ Section 30,
Township 24 South, Range 38 East,
N.M.P.M., Lea County, New Mexico,
containing 160 acres, more or less.

NO. 3106

RJR
Sinclair Oil & Gas Company -
Atlantic Richfield Company Lease

Atlantic Richfield Company
P. O. Box 2819
Dallas, Texas 75221

The Permian Corporation
P. O. Box 1183
Houston, Texas 77001

HNG Oil Company
P. O. Box 767
Midland, Texas 79701

Gentlemen:

For division order purposes from an examination of
the record title to the captioned land and lease as reflected by
the following abstracts:

No. 23785 consisting of 53 pages, compiled by Federal
Abstract Company, certified to December 14, 1971 at 8:00 a.m., re-
flecting all entries affecting title to the land described in the
caption hereof appearing in the Plat Book Records, Historical Index
and Serial Records of Lease LC 067968 in the United States Land and
Survey Office, Santa Fe, New Mexico, from the inception of records
to December 14, 1971 at 8:00 a.m.

No. 12-1471-11372 consisting of 89 pages, compiled by
Lovington Abstract Company, certified to December 14, 1971 at 8:00
a.m., tracing title to the minerals under the captioned land inso-
far as reflected by the records in the office of the County Clerk
and Clerk of the District Court of Lea County, New Mexico, from the
inception of title to December 14, 1971 at 8:00 a.m. In connection
with this abstract, we have a letter from the Lovington Abstract
Company dated January 17, 1972 reflecting that no instruments have
been filed for record since December 14, 1971 at 8:00 a.m. affecting
title to the captioned land, except a Conveyance of Operating Rights

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dated January 11, 1972, filed January 17, 1972, executed by Atlantic Richfield Company in favor of HNG Oil Company, which is the Conveyance of Operating Rights and Agreement hereinafter analyzed.

and the following instruments:

1. Xerox copy of United States Department of the Interior, Geological Survey Form 9-330 reflecting that the RAF "30" Well No. 1, located 1550 feet from the East line and 405 feet from the South line of Section 30, Township 24 South, Range 38 East, N.M.P.M., was completed December 10, 1971.
2. Xerox copy of New Mexico Oil Conservation Commission Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas, approved by the District Production Engineer of the OCC on December 17, 1971, reflecting the completion of the RAF "30" Well No. 1, located in Unit "O", Section 30, Township 24 South, Range 38 East, N.M.P.M., and that the first new oil was run to the tanks on December 10, 1971. The well was drilled to a total depth of 8862 feet, plugged back to 8859 feet and was perforated between the depths of 8693 feet and 8753 feet.
3. Original Conveyance of Operating Rights and Agreement dated January 11, 1972, between Atlantic Richfield Company, as lease owner, and HNG Oil Company, as operator.

we report the status of the title to production from said land and lease as of December 14, 1971 at 8:00 a.m., as follows:

TITLE TO OIL AND GAS

Rights to Interval Between Base of the Tubb-Drinkard Formation as Found to Occur in Skelly Oil Company's "L" No. 3 Well Located 1980 FEL and 660 FNL of Section 5, Township 25 South, Range 38 East, at an Indicated Depth of 7367 Feet to the Depth of 8962 Feet Below the Surface:

United States of America -----	.1250 RI
The William K. Warren Foundation -----	.0025 ORRI
R. S. Chancellor -----	.0025 ORRI
Atlantic Richfield Company -----	.1200 ORRI
HNG Oil Company -----	.7500 WI
	1.0000

Rights to Other Horizons:

Not reported. This Opinion is limited to the rights covering the interval between the base of the Tubb-Drinkard Formation as heretofore having been found to occur in Skelly Oil Company's "L" No. 3 Well

located 1980' FEL and 660' FNL of Section 5, Township 25 South, Range 38 East, Lea County, New Mexico, at an indicated depth of 7367' as recorded on the Schlumberger Electrical Log run #1 taken April 13, 1952, said log being measured from derrick floor elevation at 3168' above sea level and the depth of 8962' below the surface.

FEATURES OF LEASE LC 067968

FORM:	4-213 (August 1948)
DATED:	September 1, 1949 - Preference Right Lease based upon Lease bearing Las Cruces Serial No. 059963
LESSOR:	United States of America
LESSEE:	Sinclair Oil & Gas Company
LANDS COVERED:	E $\frac{1}{2}$ Section 19, E $\frac{1}{2}$ Section 30, Township 24 South, Range 38 East, N.M.P.M., containing 640 acres, more or less.
INTEREST COVERED:	Entire interest.
TERM:	Five years with right of extension and production was obtained during the primary term of the lease.
DELAY RENTALS:	Production has been obtained and the abstracts reflect that the lease is on a producing status.
ROYALTY:	12 $\frac{1}{2}$ % on production removed or sold from the leased land
RECORDED:	September 16, 1949, in Book 80, page 441 Oil & Gas Records, Lea County, New Mexico

COMMENTS ON LEASE

1. Record Title: Atlantic Richfield Company is the record title holder of Lease LC 067968.

2. Contract for Disposal of Products: Paragraph 2(e) of the lease requires that the lessee not dispose of the oil, gas or other products of the lease except in accordance with a contract or other arrangements first approved by the Director of the Geological Survey or his representative.

Requirement A: The Division Order should be approved by the Oil and Gas Supervisor of the United States Geological Survey who maintains an office in Roswell.

3. Production: The abstract of the Federal records reflects that the lease has been on a producing status for many years, and xerox copies of the reports filed with the Oil Conservation Commission and the United States Department of the Interior, Geological Survey, reflect that the HNG Oil Company RAF "30" Well No. 1, located in Unit "O", Section 30, Township 24 South, Range 38

East, was completed at a total depth of 8862 feet on December 10, 1971.

4. Segregated Zone: By a Decision dated August 12, 1969, the unitized interval defined by Sec. 2(h) of the West Dollarhide Drinkard Unit under the captioned land and other portions of the lease was segregated into a new lease bearing New Mexico Serial No. 10185.

CONVEYANCE OF OPERATING RIGHTS AND AGREEMENT

The working interest rights between the base of the Tubb-Drinkard Formation and the depth of 8962 feet below the surface arise under the terms of a Conveyance of Operating Rights and Agreement dated January 11, 1972, executed by Atlantic Richfield Company, as Lease Owner, in favor of HNG Oil Company, as Operator, which Agreement was recorded January 17, 1972 under County Clerk's File No. 11278 and while it was recorded after the closing date of the abstracts, we have given effect to this Agreement in determining the ownership of production. Under the terms of the Agreement, Atlantic Richfield Company reserves an overriding royalty equal to 1/8 of 8/8 of all production, with further provisions that such overriding royalty shall absorb a 1 1/2% overriding royalty presently burdening the acreage. The Agreement contains an oil overriding royalty reduction suspension provision as required by 43 CFR 3125.4 and provides that the Operator shall reimburse Atlantic for one-half of all rentals paid, but that said rentals will be paid by Atlantic. The Operator has the right to surrender the operating rights to Atlantic in accordance with the provisions of paragraph 6, and further has the right to assign the Agreement in whole or in part, but no assignment shall be made without Atlantic's written consent which will not be withhold arbitrarily. Atlantic reserves the continuing right and option to purchase all or any part of the oil or other liquid hydrocarbons produced and saved from the premises at its then currently posted price at the well for the field in which the well or wells are located. In the event of abandonment of any well, Atlantic has the option to take over the well by paying the operator the reasonable salvage. The Agreement provides that it is subject to approval by the Secretary of Interior, but that a ruling to the effect that such approval is not necessary shall be deemed as equivalent to the approval. Operator agrees to file the Agreement for approval with the BLM within 90 days after the date thereof and unless the Agreement is so filed, Operator's rights shall terminate.

Requirement B: The Agreement, together with the necessary filing fee and Request for Approval, should be filed with the Santa Fe Office of the Bureau of Land Management within 90 days from January 11, 1972. In this connection, we wish to state that we have been instructed to prepare the Request for Approval and thereafter to file it with the Bureau of Land Management, and you will be furnished with copies of this material in the immediate future.

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EXCEPTIONS TO TITLE

1. Possible Unrecorded Overriding Royalty Assignment:
The Conveyance of Operating Rights and Agreement dated January 11, 1972, executed by Atlantic Richfield Company in favor of HNG Oil Company analyzed above, reserves to Atlantic an overriding royalty of $\frac{1}{8}$ of $\frac{8}{8}$ of production and further provides that such overriding royalty shall absorb a $1\frac{1}{2}\%$ overriding royalty presently burdening the acreage subject to the Agreement. The only outstanding overriding royalty which we have found reflected by the abstracts is the overriding royalty reserved by J. H. McClure and Myrtle McClure, his wife, in an Assignment dated February 7, 1948 in favor of Repollo Oil Company, which Assignment was recorded in Book 78, page 129 and which is $\frac{1}{2}$ of 1% . This is the $\frac{1}{2}$ of 1% overriding royalty now credited to The William K. Warren Foundation and R. S. Chancellor. The recital in the Conveyance of Operating Rights and Agreement puts you on notice that there might be an unrecorded Overriding Royalty Assignment in existence. We have contacted Atlantic Richfield Company and have been advised that the recital in the Conveyance of Operating Rights and Agreement is in error and that the total outstanding overriding royalty is $\frac{1}{2}$ of 1% , being the interest reserved by J. H. McClure and his wife in the Assignment mentioned above.

Requirement C: The Conveyance of Operating Rights and Agreement should be amended and corrected to reflect that the total overriding royalty presently burdening the acreage is $\frac{1}{2}\%$ rather than $1\frac{1}{2}\%$, or you should obtain a letter from Atlantic Richfield Company confirming that the total overriding royalty presently burdening the acreage is only $\frac{1}{2}\%$.

CONCLUSION

Subject to the foregoing comments, title is approved for division order purposes and payment may be made to the parties as set forth above upon the execution of a proper Division Order and after the Conveyance of Operating Rights and Agreement has been filed with the Santa Fe Office of the Bureau of Land Management.

Respectfully submitted,

JENNINGS, CHRISTY & COPPLE

ORIGINAL SIGNED BY
JAMES T. JENNINGS

James T. Jennings

JTJ/mb

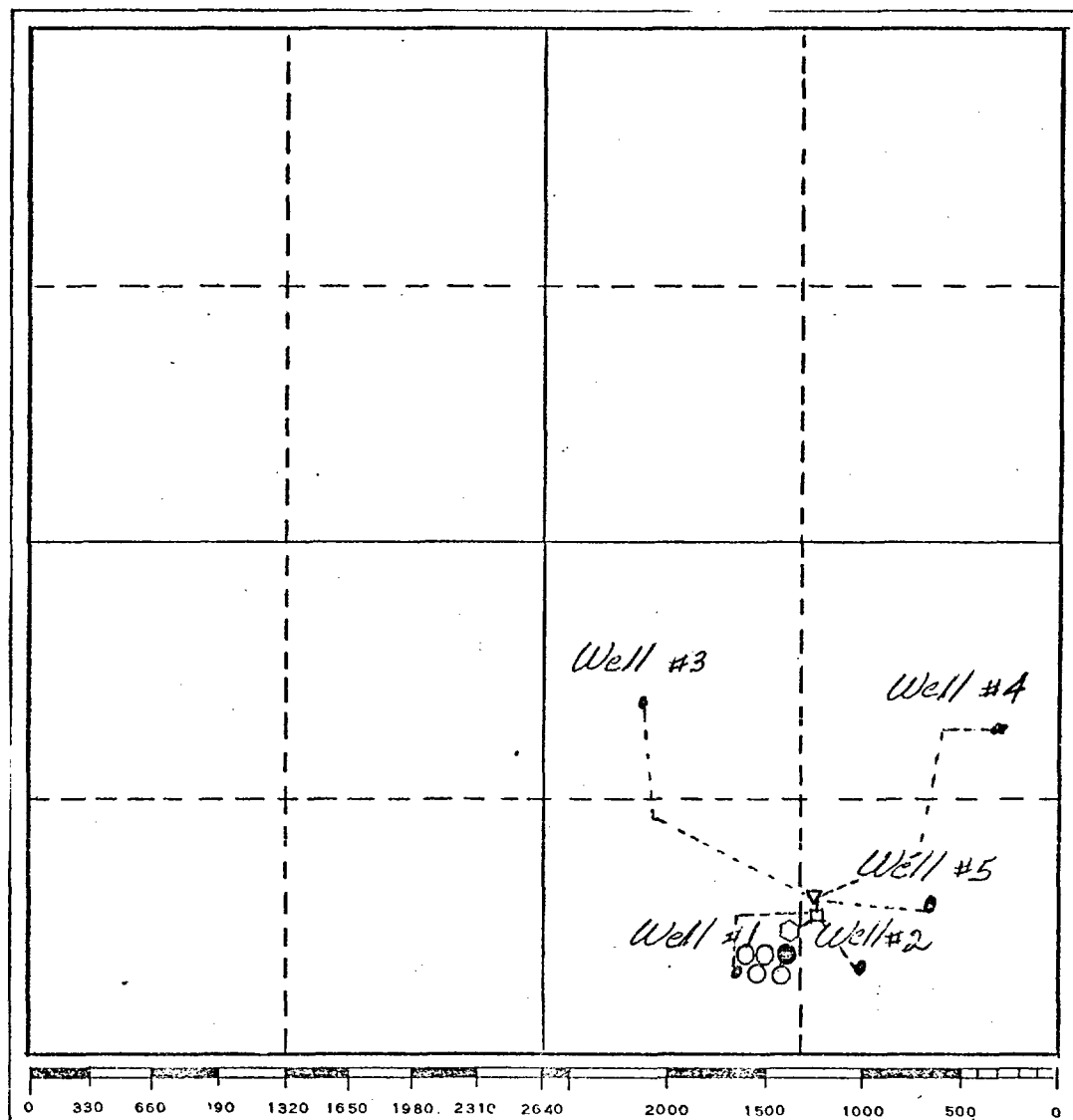
Abstracts and instruments
listed above retained for
later disposition.

C O P Y

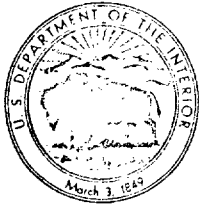
HNG OIL COMPANY

RAF 30 LEASE BATTERY

SECTION 30, T-24-S, R-38-E



- - Heater Treater
- - Stock Tank
- ▽ - Metering Separator
- - Separator
- - Water Tank



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

September 25, 1972

HNG Oil Company
P. O. Box 767
Midland, Texas 79701

Attention: Mr. George R. McBride

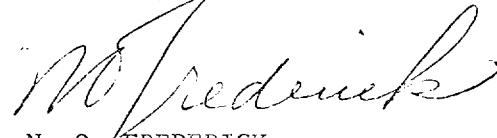
Gentlemen:

Your application of September 15 requests approval to commingle Devonian and Fusselman production from wells in the SE $\frac{1}{4}$ sec. 30, T. 24 S., R. 38 E., Lea County, New Mexico, lease Las Cruces 067968.

The system for commingling described in your application is hereby approved subject to like approval by the New Mexico Oil Conservation Commission.

Please notify the District Engineer, P. O. Box 1157, Hobbs, New Mexico 88240, when the installation is completed so that a field inspection of the system can be made.

Sincerely yours,


N. O. FREDERICK
Area Oil and Gas Supervisor

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SEP 26 1972

COMM. DIV.
NEW MEXICO