

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

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IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF SOVEREIGN EAGLE, LLC
FOR COMPULSORY POOLING, ROOSEVELT
COUNTY, NEW MEXICO.

Case No. 15,224

MOTION FOR CONTINUANCE

Yates Brothers moves the Division for an order continuing the hearing in the above matter to the November 20, 2014 Examiner hearing (at a minimum), and in support thereof, states:

1. Sovereign Eagle, LLC ("Applicant") has filed an application seeking to pool uncommitted mineral interests in the Stoltenberg Well No. 1, located 1650 feet from the north line and 2310 feet from the west line of Section 26, Township 2 South, Range 29 East, N.M.P.M. Applicant seeks to pool the SE/4NW/4, NW/4, and N/2 (based on spacing differences for various formations).

2. This motion is supported by the Affidavit of Jim Ball, Yates Brothers' landman, submitted as Exhibit 1.

3. The first reason for requesting a continuance is because Mr. Ball, who will be the witness for Yates Brothers, is unavailable for the October 30th hearing. **Exhibit 1, Paragraph 3.** Applicant has proposed presenting its case on October 30th, and then allowing Yates Brothers' witness to testify at the November 20th hearing. However, Yates Brothers' witness should be present to hear Applicant's witnesses, or its counsel may not be able to conduct an adequate cross-examination of them.

4. Yates Brothers also opposes the application because applicant has not followed established Division procedures which are necessary to show good faith negotiations. These requirements are set forth in Division Order No. R-13165, attached to this motion as Exhibit 2. The main holding in that order is set forth in Paragraph 5(a):

Thirty days before filing a pooling application, an applicant should submit a proposal letter identifying the well's proposed depth, with an AFE, and specifying the well's location.

5. Applicant has not complied with these requirements, as follows:

(a) Yates Brothers has never received a well proposal from Sovereign Eagle, LLC for the Stoltenberg Well No. 1, nor for any other well, proposed or existing, in the N/2 of Section 26. **Exhibit 1, Paragraph 4.** It has only received a lease proposal from Applicant. **Exhibit 1, Paragraph 5.**

(b) The well specified in the application is the Stoltenberg Well No. 1, located 1650 feet from the north line and 2310 feet from the west line of Section 26. However, Applicant is P&A'ng that well because a re-entry was a failure. **Exhibit 1, Attachment B.**

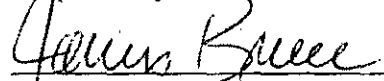
(c) Apparently, Applicant now wants to pool the N/2 of Section 26 for the Stoltenberg Well No. 2, located 1650 feet from the north line and 2260 feet from the west line of Section 26. There is no proposal for that well.

6. Applicant has not complied with the Division's pooling requirements, and the case must be continued, if not dismissed. While a continuance of three weeks is warranted, in order to comply with Order No. R-13165 a continuance until December 18th is also proper.

7. R.B. Cowden Family Properties Limited supports this motion.

WHEREFORE, Yates Brothers requests that the case be continued from the October 30th hearing docket.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Yates Brothers and R.B.
Cowden Family Properties Limited

CERTIFICATE OF SERVICE

The foregoing pleading was served upon the following counsel of record this 24th of October, 2014 via e-mail:

J. Scott Hall
Montgomery & Andrews, P.A.
325 Paseo de Peralta
Santa Fe, New Mexico 87501
shall@montand.com



James Bruce

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF SOVEREIGN EAGLE, LLC
FOR COMPULSORY POOLING, ROOSEVELT
COUNTY, NEW MEXICO.

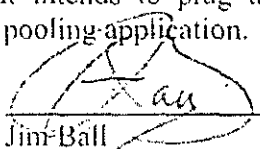
Case No. 15,224

AFFIDAVIT OF JIM BALL

COUNTY OF CHAVES)
) ss.
STATE OF NEW MEXICO)

Jim Ball, being duly sworn upon his oath, deposes and states:

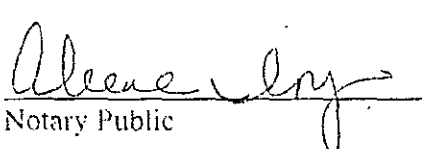
1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am a landman for Yates Brothers.
3. I have a medical appointment in Oklahoma City on October 30, 2014 which will prevent me from attending the scheduled hearing in this case. As a result, a continuance of the case is required.
4. Yates Brothers has never received a well proposal from Sovereign Eagle, LLC for the Stoltenberg Well No. 1, or for any other well, proposed or existing, in the N/2 of Section 26, Township 2 South, Range 29 East, N.M.P.M., Roosevelt County, New Mexico.
5. The only correspondence received from Sovereign Eagle, LLC regarding the subject acreage is a lease proposal attached hereto as Attachment A. It did not contain an AFE nor an operating agreement.
6. Attachment B to this affidavit is a Sundry Notice, filed by Sovereign Eagle, LLC with the Division on October 17, 2014, showing that it intends to plug and abandon the Stoltenberg Well No. 1, the well which is the subject of the pooling application.



Jim Ball

SUBSCRIBED AND SWORN TO before me this 23rd day of October, 2014 by Jim Ball.

My Commission Expires: 12/14/16



Notary Public

EXHIBIT 1

District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR PROPOSALS.)		WELL API NO. 30-041-20809
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other Plug and Abandon <input type="checkbox"/>		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator SOVEREIGN EAGLE LLC		6. State Oil & Gas Lease No.
3. Address of Operator PO BOX 1030 ROSWELL NM 88202		7. Lease Name or Unit Agreement Name STOLTENBERG
4. Well Location Unit Letter <u>F</u> <u>1650</u> feet from the <u>NORTH</u> line and <u>2310</u> feet from the <u>WEST</u> line Section <u>26</u> Township <u>2S</u> Range <u>29E</u> NMPM ROOSEVELT County		8. Well Number #1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 4394'		9. OGRID Number 263940
10. Pool name or Wildcat TULE MONTOYA/PENN		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☒
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
 DOWNHOLE COMMINGLE ☐
 CLOSED-LOOP SYSTEM ☐
 OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
 COMMENCE DRILLING OPNS. ☐ P AND A ☐
 CASING/CEMENT JOB ☐
 OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

10/13/2014 Re-entered well and drill out surface plugs and plug inside 8 5/8" casing shoe. Could not get past hole casing in at 2250'.

Propose to plug and abandon by;
 Set plug #1 50' inside and outside of 8 5/8" casing shoe at 2128'.
 Set plug #2 from 288' to 388' across the 13 3/8" casing shoe at 331'.
 Set 10 sx plug at surface.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Paul Ragsdale TITLE Operations Manager DATE 10/17/2014
 Type or print name Paul Ragsdale E-mail address: pragsdale@stratanm.com PHONE: 575-626-7903
 For State Use Only

APPROVED BY: [Signature] TITLE Petroleum Engineer DATE 10/17/14
 Conditions of Approval (if any):

Attachment B

OCT 17 2014

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

ORDER NO. R-13165

APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD SPACING UNIT
AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

CASE NO. 14368

APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD SPACING UNIT
AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

CASE NO. 14369

APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD SPACING UNIT
AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

CASE NO. 14370

APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD SPACING UNIT
AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

CASE NO. 14372

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on various parties' Motions to Dismiss at 8:15 a.m.
on September 3, 2009, at Santa Fe, New Mexico, before Examiner Terry Warnell.

EXHIBIT 2

NOW, on this 15th day of September, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of these cases.

(2) Because all of the Motions to Dismiss present the same issue, a consolidated hearing was held on these motions, and one order is being issued ruling on the motions in all of the cases. However, the cases remain separate and will be heard separately unless the Division subsequently determines otherwise.

(3) Fuel Products, Inc., Pear Resources and Hyde Oil and Gas Corporation, respondents in Cases 14368, 14369 and 14370, and MeTex Supply Company, a respondent in Case No. 14372, (herein collectively called Movants) filed motions to dismiss the application in these cases. Movants contend that no valid well proposals have been submitted for their consideration because: (a) the well proposals do not contain specific footage locations; (b) the applicant did not furnish a proposed form of joint operating agreement with its well proposal; and (c) the proposals in the separate cases, collectively, constitute a multi-well drilling program, and applicant's correspondence indicates uncertainty as to whether it will actually drill all of the proposed wells.

(4) With respect to the omission of a proposed form of joint operating agreement, Movants cite Division Order No. R-13155 in which the Division dismissed a compulsory pooling application and ordered that a well proposal including a proposed form of joint operating agreement be furnished prior to re-filing.

(5) Because past Division practice has not been entirely consistent, and because some language in Order No. R-13155 was not intended to apply to all cases, the Division takes this opportunity to clarify the requirements that it will ordinarily apply in compulsory pooling cases as follows:

(a) At least thirty days prior to filing a compulsory pooling application, in the absence of extenuating circumstances, an applicant should send to locatable parties it intends to ask the Division to pool a well proposal identifying the proposed depth and location and target formation, together with a proposed Authorization for Expenditures (AFE) for the well. The proposal should specify the footages from section lines of the intended location, and, in the case of a directional well, of the intended point of penetration and bottomhole location. The Division understands these requirements to be comparable to the proposal requirements included in forms operating agreements generally used in the industry.

(b) Although exact footage locations for the proposed well should be specified in the well proposal, the exact footage locations need not necessarily be

specified in the application filed with the Division or in formal notices of hearing. These documents (the application and formal hearing notices) establish the Division's jurisdiction, and, if an exact location for the well is specified in such documents, any modification may require new notices and a further hearing. There may be perfectly legitimate reasons for varying the well location at the hearing, such as federal or private surface owner requirements. If a more generalized location is specified in the application and legal notices, and it becomes necessary to change the location prior to the hearing, reasons for such variation can be explained at the hearing and approved by the Division in its order, without the necessity of further proceedings.

(c) A proposed form of joint operating agreement should not be required in every case but should be furnished with reasonable promptness if requested.

(d) The issue of compliance with the more subjective requirement the Division has customarily recognized for good faith negotiation is better examined in these cases, and in most cases, at the compulsory pooling hearing, based upon a full evidentiary record, rather than upon a preliminary motion to dismiss.

(6) In these cases, unlike Cases 14365 and 14366, which were the subject of Order No. R-13155, Movants have received well proposals and AFEs though these proposals were deficient in not identifying the footage locations of the wells. These cases have been re-set for hearing on a date more than thirty days from the date of this Order to allow applicant to furnish Movants with a more specific proposal and with other documents Movants have requested and to afford the parties time for further negotiations. Accordingly the Division concludes that it is not necessary to dismiss these cases and require that they be re-filed in order for the applicant to proceed. If additional time proves necessary for good faith negotiations, Movants may request a further continuance.

IT IS THEREFORE ORDERED THAT:

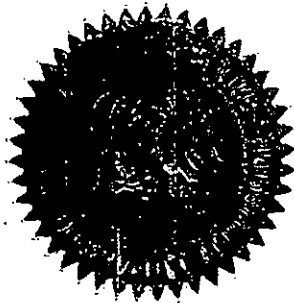
(1) Movants Motions to Dismiss are hereby overruled. As announced at the motion hearing, these cases are continued until October 15, 2009.

(2) Applicant will furnish Movants with documents complying with Finding Paragraphs 5(b) and (c) at least 30 days prior to the hearings.

(3) The issue of whether or not adequate good faith negotiation has occurred may be further considered at the hearings.

(4) Jurisdiction of these cases 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

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director