

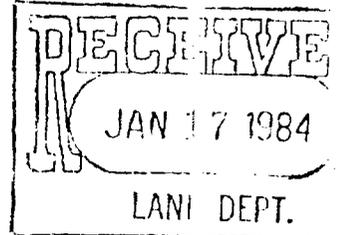


United States Department of the Interior
BUREAU OF LAND MANAGEMENT

505 Marquette Avenue N.W.
P.O. Box 5770
Albuquerque, New Mexico 87197-5770

NW Cha Cha Unit

JAN 13 1984



Certified Mail--Return Receipt Requested

Suburban Propane Exploration Company Incorporated
PO Box 17529
San Antonio, Texas 78217

Gentlemen:

According to our records, you are the operator of the Northwest Cha Cha Unit Area. This unit is subject to possible drainage by the wells listed on the enclosed sheet. Lands within the unit subject to drainage are Lots 6, 7, 8, 10 and 11 and the E/2SW/4 of Section 18 T. 29 N. R. 14 W., San Juan County, New Mexico.

Both the terms of the unit and the oil and gas operating regulations require protection of the unitized lands from drainage. Accordingly, please advise us by May 31, 1984 of your plans for protecting the subject unit from drainage.

You will be expected to drill a protective well on the unit unless you can demonstrate with detailed engineering, geologic, and economic data that such wells would have little or no chance of encountering oil or gas in quantities sufficient to pay the cost of drilling and operating the well with a reasonable profit. You will be obligated to pay compensatory royalty unless you can demonstrate that geologic conditions at depth prevent any oil and/or gas beneath the unit being produced from the offsetting well. Communitization agreements with the offsetting wells, as appropriate, would be considered adequate protection for Lots 6, 7 and 8.

Sincerely yours,

James W. Shelton
For District Manager

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>7</u>
CASE NO.	<u>8117 + 8118</u>
Submitted by	<u>Applicant</u>
Hearing Date	<u>3/14/84</u>

Case No. NW Cha Cha Unit

1. The Kirtland well No. 3, in the NW/4NE/4 section 18, T. 29 N., R. 14 W., NMPM. This well was reported as completed on November 2, 1979 in the Gallup formation with an initial potential of 87 BO per day.
2. The Kirtland well No. 11, in the NE/4NW/4 section 18, T. 29 N., R. 14 W., NMPM. This well was reported as completed on January 20, 1982 in the Gallup formation with an initial potential of 30 BO and 50 MCF per day.
3. The Kirtland well No. 4, in the SW/4NW/4 section 18, T. 29N., R. 14 W., NMPM. This well was reported as completed on October 16, 1979 in the Gallup formation with an initial potential of 78 BO and 60 MCF per day.
4. The Fruitland Navajo well No. 2, in the SE/4SE/4 section 13, T. 29 N., R. 15 W., NMPM. This well was reported as completed on July 4, 1962 in the Gallup formation with an initial potential of 17 BO per day.



SPG Exploration Corp.

300 Crown Tower
8700 Crown Hill Boulevard
San Antonio, Texas
78209

Telephone
512-824-2431

Reply to:
PO. Box 1589
San Antonio, Texas
78217

January 24, 1984

United States Department of the Interior
Bureau of Land Management
505 Marquette Avenue, N.W.
P.O. Box 6770
Albuquerque, New Mexico 87197-6770

Re: NW Cha Cha Unit
San Juan County, New Mexico

Gentlemen:

Thank you for your letter of January 13, 1984 addressing development of the N.W. Cha Cha Unit in San Jua County, New Mexico.

On October 1, 1982 SPG Exploration Corp., successor by change of name to Suburban Propane Exploration Co., Inc., conveyed to Slayton Oil Corporation all of its interest in the Mining Lease No. 14-20-603-2172 and all of its interest in the Operating Rights to Mining Lease No. 14-20-603-2168A, both leases covering lands located within the subject unit. Concurrently, on that date, Suburban resigned as the unit operator and named Slayton Oil Corporation as unit operator by filing a "Change in Unit Operator" form which, as you will note from the copy enclosed, was marked "accepted for record December 9, 1982" by James W. Shelton of the office of the Mineral Management Service.

By a copy of this letter, we are transmitting a copy of your January 13, 1984 letter to Slayton Oil Corporation for further handling and response. If I may be of any further assistance in this matter, please do not hesitate to call.

Very truly yours,

David M. Horne
Land Manager

DMH/vb
Enclosure

Vcc: Slayton Oil Corporation

