
CASE NO.

6404

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
7 December 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Sun Production Company
for compulsory pooling, non-standard
gas proration unit, and an unorthodox
well location, Lea County, New Mexico.

CASE
6404

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
COURT REPORTER
505 441-4444
Santa Fe, New Mexico 87501

I N D E X

JOHN P. HAWKES

Direct Examination by Mr. Kellahin 3

JOSEPH MARTIN

Direct Examination by Mr. Kellahin 8

E X H I B I T S

Applicant Exhibit One, Plat 8
Applicant Exhibit Two, List 8
Applicant Exhibit Three, Plat 14
Applicant Exhibit Four, 14
Applicant Exhibit Five, AFE 14

SALLY WALTON BOYD
CERTIFIED COURT REPORTER
1430 PASEO DEL MAR, SUITE 111, SAN DIEGO, CALIF. 92108
SAN DIEGO, CALIF. 92108

1 MR. STAMETS: Call next Case 6404.

2 MS. TESCHENDORF: Case 6404. Application of
3 Sun Production Company for compulsory pooling, non-standard
4 gas proration unit. and an unorthodox well location, Lea
5 County, New Mexico.

6 MR. STAMETS: Call for appearances in this
7 case.

8 MR. KELLAHIN: I'm Tom Kellahin of Kellahin
9 and Fox, appearing on behalf of the applicant, and I have
10 two witnesses to be sworn.

11 MR. STAMETS: I'd like to have the witnesses
12 stand and be sworn at this time, please.

13 (Witnesses sworn.)

14
15 JOHN P. HAWKES
16 being called as a witness and having been duly sworn upon
17 his oath, testified as follows, to-wit:

18
19 DIRECT EXAMINATION

20 BY MR. KELLAHIN:

21 Q Would you please state your name, by whom
22 you are employed and in what capacity?

23 A I'm John P. Hawkes. I'm employed by Sun
24 Production Company. I'm area land manager, Midland, Texas.

25 Q Mr. Hawkes, have you previously testified

SALLY WALTON ROYER
Courtroom Administrator
1010 Main Street, Suite 200
Midland, Texas 79701
Phone: 941-1111

1 before the Oil Conservation Division?

2 A I have not.

3 Q Would you describe briefly what has been
4 your educational and employment experience in the field
5 of petroleum land titles?

6 A I came out of Texas A & M, 1939, mechanical
7 engineering. I've been employed by Sunray, superseded by
8 a merger with Sun Oil Company for the past twenty-three
9 years. I studied some law at St. Mary's University, San
10 Antonio.

11 Q How long have you been employed by Sun
12 Production Company?

13 A Sun Production Company's land department
14 came into existence in June of this year.

15 Q As part of your employment have you made a
16 study of and are you familiar with the land title situation
17 with regards to the acreage in question?

18 A I have.

19 MR. KELLAHEIN: We tender Mr. Hawkes as an
20 expert in land title.

21 MR. STAMETS: He's considered qualified.

22 Q Would you please refer to what I have marked
23 as Applicant Exhibit Number One, identify it, and summarize
24 briefly what Sun Production Company is seeking to accom-
25 plish by this application?

SALLY WALTON BOYD
COURT REPORTER
3030 Pecos Street, Dallas, Texas 62101
South Ft. Worth 81601

A It's a land plat consisting of Section 35,
19, 36. The proration unit which is outlined in red, the
Sun acreage shaded in yellow, the Shell Oil Company acreage
shaded in blue.

Q This will be a non-standard gas production unit consisting of 160 acres, will it not?

A That's right.

Q As of this date, as of the date of the hearing, has Sun Production Company obtained signatures from all the working interest owners within the 160-acre unit?

12 A All of the working interest owners have
13 executed an agreement.

14 MR. KELLAHIN: If the Examiner please. we
15 are down to in our forced pooling part of the application,
16 to committing the overriding royalty interest to the well.
17 The two leases involved, I believe neither one of them
18 provide for pooling of acreage, and we need to have the
19 Commission set the royalty for the override. We don't in-
20 tend to present evidence as to a risk factor or anything
21 else that would be attributable to working interest.

2 | MR. STAMETS: Very good.

23 C Would you please identify Exhibit Number
24 Two and explain what this is?

25 A It is a list of all of the royalty owners

1 under that acreage shown shaded in yellow on the attached
2 plat. and the percentages of royalty that each own as to
3 the 120 acres of Sun contributed acreage in the proposed
4 unit.

5 Q At some point then the percentage interest
6 is going to have to be recomputed based upon the 160-acre
7 unit.

8 A It would be so.

9 Q All right, sir. Now, what of the entities
10 or individuals listed on Exhibit Number Two have not agreed
11 to participate in the well?

12 A Betty M. Dreisen of Los Altos, California,
13 Betty M. Dreisen and Ingrid Powell, Trustees, of Los Altos,
14 California, W. E. F. Holding, Inc., New York, New York,
15 Rosalyn Redfern, Midland, Texas.

16 Q With regards to the Dreisen/Powell interest
17 there's an indication on the exhibit that a signed copy is
18 floating loose somewhere. Have you received a signed copy?

19 A We have not.

20 Q All right.

21 A We have since the date of the -- that Mrs. --
22 that Betty Dreisen indicated that a copy had been signed
23 and mailed to Sun Production, we have furnished a second
24 set of agreements to her. but on November 2nd.

25 Q As of this date have you received those?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1000 PINE ST. NEW YORK, N.Y. 10014

1 A We have not received them.

2 Q Okay. What have been your efforts to contact
3 W. E. F. Holding Company?

4 A W. E. F. Holding Company is listed as an
5 address of 531 - 5th Avenue. New York, New York. The in-
6 struments were mailed to that address and were returned to
7 us as having never been there.

8 In our search we found that Petrust Corpor-
9 ation resided at 521 - 5th Avenue. Thinking that maybe we
10 had a wrong address, we sent the W. E. F. Holding, Inc.,
11 to 521 - 5th Avenue, New York. It was returned to us as
12 having never been there.

13 Last month I was in New York City on other
14 business. I was in the vicinity of the area, so I went to
15 531 - 5th Avenue, 521 - 5th Avenue and talked to Petrust
16 Corporation, and other people in the buildings. They could
17 give me no idea of ever having known them. They are not
18 listed in the phone book and I have -- it has been impossible
19 to find them.

20 Q With regards to Rosalyn Redfern.

21 A Rosalyn Redfern refuses to sign the agreement
22 for personal reasons.

23 MR. KELLAHIN: If the Examiner please, we
24 move the introduction of Exhibits One and Two, and that
25 concludes our examination of Mr. Hawkes.

SALLY WALTON BOYD
CERTIFIED AUDITING REPORT
1117th Avenue (908) 411-4418
New York, New York 10018

1 MR. STAMETS: They will be admitted. Any
2 questions of the witness? He may be excused.
3

4 JOSEPH MARTIN

5 being called as a witness and having been duly sworn upon
6 his oath, testified as follows, to-wit:
7

8 DIRECT EXAMINATION

9 BY MR. KELLAHIN:

10 Q Would you state your name, by whom you're
11 employed, and in what capacity?

12 A My name is Joseph M. Martin. I'm employed
13 by Sun Production Company. My capacity with Sun is area
14 reservoir engineer.

15 Q Mr. Martin, have you ever testified before
16 the Oil Conservation Division?

17 A No, I haven't.

18 Q Would state briefly for the Examiner when
19 and where you obtained your degree?

20 A Graduated from the University of Missouri at
21 Rolla in December, 1972, with a Bachelor of Science degree
22 in petroleum engineering.

23 Q Subsequent to graduation where have you been
24 employed and in what capacities?

25 A Since graduation I've been employed by Sun

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1017 Park Avenue (N.Y.C.) 17-1248
Bureau 26, New Avenue 3781

1 Production in Midland, Texas, first as an operations and
2 production engineer and for the past six months as a reser-
3 voir engineer.

4 Q As a reservoir engineer have you made a study
5 of and are you familiar with the facts surrounding this
6 particular application?

7 A Yes, I am.

8 MR. KELLAHIN: We tender Mr. Martin as an
9 expert reservoir engineer.

10 MR. STAMETS: As what kind of reservoir en-
11 gineer?

12 MR. KELLAHIN: Expert.

13 MR. STAMETS: Okay, the witness is considered
14 qualified.

15 Q (Mr. Kellahin continuing.) Refer to Exhibit
16 Number Three and identify that, please.

17 A This is a land plat of four sections surrounding
18 the proposed proration unit and also showing the proposed
19 location inside the proration unit. It shows also the
20 present producing and past producing Eumont-Queen gas wells
21 in this area.

22 Q What is a standard proration unit in the
23 Eumont Gas Pool?

24 A A standard proration unit is 640 acres.

25 Q And you're requesting a non-standard proration

SALLY WALTON BOYD
CERTIFIED COURT REPORTER
20207th Ave., Houston, Texas 77058
281-4400

1 unit of 160 acres?

2 A Yes, sir.

3 Q What, if any, other non-standard proration
4 units exist in the immediate area?

5 A As you can see, the dotted lines outline the
6 proration units in the area. As you can see, we're sur-
7 rounded more or less by 160-acre units. ARCO's unit to the
8 west is an 80-acre unit and there's a 320-acre unit to the
9 southeast; a 440-acre unit to the south; and a 280-acre unit
10 to the west. So there are quite a few non-standard.

11 Q What is the footage location for your well?

12 A Footage location is 810 feet from the south
13 line and 2030 feet from the east line of Section 35, Township
14 19 South, Range 36 East.

15 Q What would be a standard location?

16 A A standard location as I know it would be
17 1320 feet from the section line.

18 Q For what reasons do you seek this particular
19 location?

20 A This particular location we are seeking,
21 number one, due to the fact that a location in the, let's
22 see, in the northeast quarter of the southeast quarter is
23 condemned due to the fact that there is a chemical plant
24 and its surrounding dumping grounds in this area, so the
25 surface location is condemned there.

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CITIZEN'S ADVISORY BOARD
2010 Park Avenue, Suite 200
Hartford, CT 06103-3701

BALLY WALTON BOYD
COURT REPORTER & INTERVIEWER
5102 Plaza, Suite 200, Dallas, Texas 75241
Phone 768-0700

1 Q What kind of chemical plant is that?

2 A It's a sulfuric acid plant.

3 Q And who operates that?

4 A I believe it's Climax, is the name of the
5 company.

6 Q So any location in the northeast quarter of
7 this proration unit is unavailable?

8 A That's right.

9 Q Would you describe the Shell well located in
10 the southeast corner of this unit?

11 A This Shell well was the gas well of the pro-
12 ration unit when it was in existence from 1954 through
13 1970. It was abandoned. The Eumont-Queen was abandoned
14 in this well in 1970 due to mechanical problems and there-
15 fore the proration unit was dissolved at that time.

16 Q Are there any other wells located within
17 the proration unit that are not identified on the plat?

18 A There are some Eunice-Monument Grayburg-
19 San Andres wells. There would be four of them, counting the
20 Shell well, which was recompleted in the Grayburg-San Andres.
21 One of the wells, our W. B. McBeatty No. 2 Well, is just
22 offsetting our proposed location.

23 Q That is the nearest Eumont-Monument Grayburg-
24 San Andres well?

25 A Yes, sir.

1 Q And what is the footage location for that
2 well?

3 A Footage location for that well is 660 feet
4 from the south line and 1980 feet from the east line in
5 Section 35.

6 Q You're asking for this location, the proposed
7 location, to be completed in what formation?

8 A This is to be completed in the Eumont-Queen
9 formation.

10 Q At a total depth of what?

11 A Total depth of approximately 3700 feet.

12 Q Is not the immediate offset Eumont-Monument
13 Grayburg-San Andres well available for completion in the
14 same zone?

15 A As far as completing or dualing a well in
16 this present Grayburg well, we would not wish to dual it
17 due to mechanical problems often encountered with producing
18 both zones in the same wellbore. As I mentioned, the Shell
19 State A Well was abandoned in the Eumont-Queen due to such
20 mechanical problems.

21 Q So it's your preference simply to drill a new
22 wellbore?

23 A Yes, sir.

24 Q Have all of the offset operators been notified
25 of the proposed application, Mr. Martin?

SALLY WALTON BOYD
COURT REPORTER
2025 P.O. Box 1225
Dallas, Texas 75201

SALLY WILSON BOYD
CENTRAL INTELLIGENCE AGENCY
OFFICE OF THE DIRECTOR
WASHINGTON, D.C. 20505

1 A Yes, sir, they have.

2 Q And what, if any, responses have you received
3 from ARCO?

4 A We have received an approved waiver of the
5 objection.

6 Q I show you what has been marked Applicant
7 Exhibit Number Five, I believe it is. Would you identify
8 that and explain what information it contains?

9 A This is an AFE and authority for expenditure
10 for this particular well. It shows the estimated cost to
11 drill, complete, and equip the well.

12 Q In your opinion, Mr. Martin, are the proposed
13 costs of this well consistent with similar wells drilled in
14 the area?

15 A Yes, sir, they are.

16 Q In your opinion will approval of this appli-
17 cation be in the best interests of conservation, the pre-
18 vention of waste and the protection of correlative rights?

19 A Yes, sir.

20 Q And were Exhibits Three, Four, and Five pre-
21 pared by you or compiled under your direction and super-
22 vision?

23 A Yes, sir, Exhibit Number Five was not com-
24 piled by me or under my supervision, but I reviewed it and
25 it represents --

1 Q It's true and accurate to the best of your
2 knowledge?

3 A Yes, sir.

4 MR. KELLAHIN: We tender the balance of our
5 exhibits, Mr. Examiner, and that concludes our direct exam-
6 ination.

7 MR. STAMETS: The exhibits will be admitted.
8 Are there any questions of the witness? He may be excused.

9 Anything further in this case? The case
10 will be taken under advisement.

11 (Hearing concluded.)
12
13
14
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18
19
20
21
22
23
24
25

SALLY WADE BOWEN
Courtroom Administrator
10100th Ave. S.W.
Seattle, WA 98148

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete report of the proceedings in the Examiner hearing of Case No. 6409, heard by me on 12-7-19.

Richard L. [Signature], Examiner
Oil Conservation Division

SALLY WALTON BOYD
Court Reporter
Chicago, Illinois
Member, N. C. R. A.



JERRY APODACA
EDMUNDO

NICK FRANKLIN
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

January 2, 1979

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
ESB 827-2434

**Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico**

Re: CASE NO. 6404
ORDER NO. R-5896

Applicant:

Sun Production Company

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/Ed

Copy of order also sent to:

Hobbs OCC	<u>X</u>
Artesia OCC	<u>X</u>
Artec OCC	

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. 6404
Order No. R-5896

APPLICATION OF SUN PRODUCTION
COMPANY FOR COMPULSORY POOLING,
NON-STANDARD GAS PRORATION UNIT, AND
AN UNORTHODOX WELL LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 7, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of December, 1978, 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, Sun Production Company, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying the SE/4 of Section 35, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, to form a 160-acre non-standard proration unit, approval of which is also requested.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 810 feet from the South line and 2030 feet from the East line of said section.

(4) That there are royalty interest owners in the proposed proration unit who have not agreed to pool their interests.

-2-

Case No. 6404
Order No. R-5896

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit, granting the non-standard proration unit, and approving the unorthodox location.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(8) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Eumont Gas Pool underlying the SE/4 of Section 35, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 810 feet from the South line and 2030 feet from the East line of said section.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

-3-

Case No. 6404
Order No. R-5896

(2) That Sun Production Company is hereby designated the operator of the subject well and unit.

(3) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

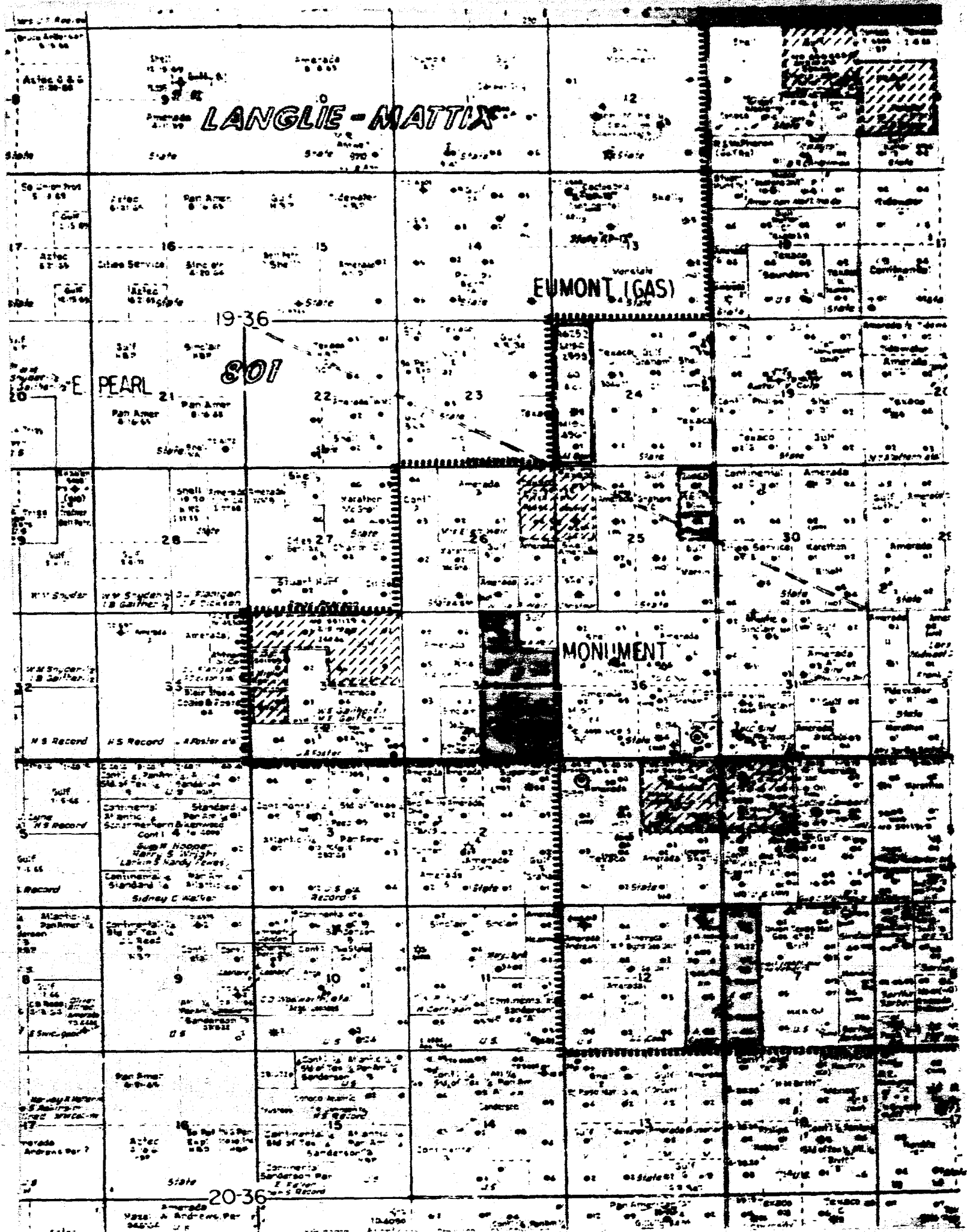
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


SEAL

dr/



MAVEETY MINERAL OWNERS
LEA COUNTY, NEW MEXICO

David J. Flackman c/o Bank of New York P.O. Box 11200 New York, New York 10049		.0125 + .0235025 + .0235026
Irving Abelow Abelow Family Trust #3608 Republic National Bank of Dallas P.O. Box 241 Dallas, Texas 75221		.0033854
Irving L. Fellman Apt. 602, 61-20 Grand Central Parkway Forest Hills, New York 11375		.0033854
H. Edison Ellis, Jr. 6350 LBJ Freeway #174 Dallas, Texas 75240		.0101562
Darrell S. Pruner, Executor of the Estate of A. E. Pruner Suite A, 1900 State Street Santa Barbara, California 93102		.016667
Betty M. Dreessen P.O. Box 817 Los Altos, California 94022	}	.016667
Betty M. Dreessen and Ingrid Powell, Trustees of the Mariee I. Kyte Revocable Living Trust P.O. Box 817 Los Altos, California 94022		Have not received signed instrument. They signed & mailed but we did not receive. Mailed additional copies to them on 11/1/78. .03333
WEF Holding, Inc. 531 Fifth Avenue New York, New York 10017	}	.00625
Petrust Corporation 521 Fifth Avenue New York, New York 10017		Not able to locate .025
Conbat Company P.O. Drawer III Santa Barbara, California 93102		.0476562
Sheridan Family Trust 3686 Collins Street Sarasota, Florida 33582		.0033854
Rosalind Redfern P.O. Box 1747 Midland, Texas 79702	}	.0016405
J. H. Herd P.O. Box 130 Midland, Texas 79702		Not signed .0010937
Foster Petroleum Corporation P.O. Box 729 Bartlesville, Oklahoma 74003		.6059895

SUN OIL COMPANY	
DALLAS	
MAVEETY-STATE GAS COM. NO. 8	
EUMONT GAS POOL	
LEA COUNTY, NEW MEXICO	
DECEMBER 7, 1978	
CASE NO. 6404	EXHIBIT NO. 2

PDI, Inc.
628 Hightower Building
Oklahoma City, Oklahoma 73102

.0110677

W. Watson LaForce, Jr.
P.O. Box 353
Midland, Texas 79702

.0016601

Sabine Royalty
P.O. Box 84868
Dallas, Texas 75284

.0094075

Mrs. June D. Speight
P.O. Drawer 1687
Lovington, New Mexico

.15625

W A I V E R

New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

re: Pooling, Non-Standard Gas Proration Unit
and Unorthodox Well Location
Maveety-State Gas Com. Well No. 8
Eumont Gas Pool
Lea County, New Mexico

Gentlemen:

The undersigned has been furnished a copy of Sun Oil Company's application for pooling, non-Standard Gas Proration Unit and unorthodox well location for the subject well. Please be informed that we, as an offset operator to the Maveety-State Gas Com. Unit, have no objection to the Commission approving Sun's request as outlined in their application dated November 14, 1978.

Yours very truly,

COMPANY ATLANTIC RICHFIELD COMPANY

REPRESENTATIVE J. L. Tweed

SIGNATURE J. L. Tweed

TITLE District Engineer

SUN OIL COMPANY	
DALLAS	
MAVEETY-STATE GAS COM. NO. 8	
EUMONT GAS POOL	
LEA COUNTY, NEW MEXICO	
DECEMBER 7, 1978	EXHIBIT NO. <u>4</u>
CASE NO. 6404	

AUTHORITY FOR EXPENDITURE

EP-1255 (REV. 3-67) (SUN 3408-A)

SUN OIL CO. (DELAWARE)

☐ 100% CO-OP
☐ OBO
☒ C.O.-P.

DAKOTA REGION
MIDLAND - Production

AMOUNT REQUESTED

\$93,938

DATE OF REQUEST

1978

PROPERTY NUMBER

611027

PROPERTY NAME

EXPENDITURE BUDGETED

☐ YES YEAR
☒ NO
☐ PARTIALLY (EXPLAIN BELOW)

PROPERTY NAME

Navetty St. Gas Com.

PROSPECT NUMBER

MUNICIPALITY/PARISH/COUNTY

Lea Co.

CLASSIFICATION

D

PROVINCE/STATE

New Mexico

ACCOUNTING USE ONLY - AFE

LOCATION

Eumont

760' FSL & 1980' FSL, Sec. 35, T19S, R36E

PRIMARY OBJECTIVE

☐ OIL ☒ GAS ☐ PLANT LIQUID

PREDICTED NET RESERVES

MMCF/OR M BBL'S M BBL'S/OR MMCF M BBL'S

SUN WT. 0.7500

SUN INC. 0.65625

TYPE:

TYPE:

TYPE:

NON-DRILLING PROJECT DESCRIPTION:

New Well - Drill & Complete Has been Substituted.

ECONOMICS DETAIL COST - ITEMIZE (NEW MONEY INVESTMENT & EXPENSE - 100% & SUN'S NET)
(COMPANY LABOR & STOCK). GIVE STATEMENT OF ECONOMICS.

INTANGIBLE	PRODUCER	DRY HOLE	TANGIBLE	PRODUCER	DRY HOLE
40 LOCATION	2,000	2,000	PIPE 8-5/8 (350')	3,000	3,000
41 RIG MOVE	--	--	PIPE 5-1/2 (3700')	17,250	--
42 FOOTAGE	32,000	32,000	PIPE 2-3/8 (3600')	8,000	--
43 DAY WORK	500	500	PIPE	--	--
44 BITS & BBS	--	--	PIPE	--	--
45 FUEL	--	--	PIPE	--	--
46 WATER	1,500	1,500	PIPE	--	--
47 MUD & CHEN	3,000	3,000	WELLHEAD	3,500	500
48 CMT & CMTG SER	6,500	3,500	OTHER	2,500	500
49 DIRECTIONAL SER	--	--			
50 RENTALS	1,000	500	TOTAL TANGIBLE	34,250	4,000
51 MUD LOGGING	--	--			
52 DST & TSTG EQPT	--	--	TOTAL DRILLING COST	115,250	57,000
53 CORING	--	--			
54 LOGS-MET-SMC	3,000	3,000			
55 CSG/TSG TOOLS & SER	500	--	SUMP EQPT & INSTALL	10,000	--
56 COMPLETION RIG	4,000	--			
57 PERFORATING	1,500	--			
58 STIMULATION	15,000	--	TOTAL WELL COST	125,250	57,000
59 SUPERVISION	2,000	1,200			
60 TRANSPORTATION	1,000	600	SUN'S NET COST	\$ 93,938	\$ 42,750
61 MISC/CONTINGENCY	7,500	5,200			
TOTAL INTANGIBLE	\$ 81,000	\$ 53,000			

APPROPRIATE JOINT OWNERS APPROVAL HAS BEEN OBTAINED
IF SIGNED BELOW

DATE 8-2-78 SIGNED *Lee P. Byler*

APPROVAL LEVEL	<input type="checkbox"/> DISTRICT	<input type="checkbox"/> REGION	<input type="checkbox"/> GROUP	<input type="checkbox"/> CORPORATE
APPROVED:	SUN OIL COMPANY			
CONCURRENCE:	NAVEETY-STATE GAS COM. NO. 8			
DISAPPROVED:	EUMONT GAS POOL			
DATE:	LEA COUNTY, NEW MEXICO			
	DECEMBER 7, 1978			
	CASE NO. 6404			
	EXHIBIT NO. 5			

☐ ONE COPY ☐ COPY TO THE STATE, DISTRICT, & SUB. ☐ COPY 2 ☐ COPY 3

PRINTED IN U.S.A.

- CASE 6401:** Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Mesavieja production within the wellbore of its Jicarilla 101 Well No. 1 located in Unit A of Section 1, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6402:** Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup and Dakota production within the wellbore of its Jicarilla 101 Well No. 2 located in Unit M of Section 12, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6403:** Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin Dakota and Blanco Mesavieja production within the wellbore of its O'Shea Well No. 1 located in Unit K of Section 3, Township 31 North, Range 13 West, San Juan County, New Mexico.
- CASE 6404:** Application of Sun Production Company for compulsory pooling, non-standard gas proration unit, and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Bonnet Gas Pool underlying the SE/4 of Section 35, Township 19 South, Range 36 East, Lea County, New Mexico, to form a non-standard 160-acre proration unit to be dedicated to a well to be drilled at an unorthodox location 810 feet from the South line and 2000 feet from the East line of said section. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6405:** Application of Lake and Nancy for exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing/cementing rules for the Oil-Torank Area as promulgated by Order No. R-111-A to permit its Federal FR Well No. 1 located in Unit I of Section 15, Township 19 South, Range 30 East, Eddy County, New Mexico, to be completed in the following manner: set surface casing and circulate cement; eliminate salt protection string; and do not circulate cement on production casing.

Dockets Nos. 40-78 and 41-78 are tentatively set for hearing on December 20, 1978 and January 3, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 7, 1978

**9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Mutter, Alternate Examiner:

- CASE 6392:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinne Grace, The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Indian Hills Com. Well No. 1 located in Unit J of Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6393:** In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 104 F of the Division Rules and Regulations to provide for the administrative approval of the unorthodox location of wells drilled within secondary recovery or pressure maintenance projects.
- CASE 6394:** In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the adoption of an administrative procedure and Forms C-132 and C-132-A, all for the purpose of making wellhead price ceiling category determinations under the Natural Gas Policy Act of 1978.
- CASE 6395:** Application of David Fasken for pool contraction and pool extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Indian Basin-Morrow Gas Pool by the deletion therefrom of Section 9, Township 21 South, Range 24 East, Eddy County, New Mexico, and the extension of the Cemetery-Morrow Gas Pool to include the aforesaid Section 9.
- CASE 6396:** Application of Amoco Production Company for pool creation and contraction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the House Drinkard oil pool by the deletion therefrom of the NE/4 and E/2 SE/4 of Section 12 and the E/2 NE/4 of Section 13, both in Township 20 South, Range 38 East, and the W/2 of Section 7 and the NW/4 of Section 18, Township 20 South, Range 39 East, and the creation of a new gas pool for Lower Drinkard production in the NE/4 of Section 12, Township 20 South, Range 38 East, all in Lea County, New Mexico.
- CASE 6397:** Application of Western Oil Producers, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 4, Township 24 South, Range 35 East, Cinta Roja-Morrow Gas Pool, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6398:** Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for the Wolfcamp and Pennsylvanian formations of its State Com Well No. 1, to be located 660 feet from the South and West lines of Section 18, Township 21 South, Range 26 East, Catclaw Draw Field, Eddy County, New Mexico, all of said Section 18 to be dedicated to the well in the Morrow formation.
- CASE 6399:** Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 32, Township 18 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 710 feet from the North line and 2330 feet from the West line of said section. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6400:** Application of Coronado Exploration Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying each of the following 40-acre tracts: SW/4 SW/4 Section 7; SW/4 SW/4 Section 8; SW/4 SE/4 Section 18; NW/4 NW/4 Section 19; and NW/4 NW/4 Section 20, all in Township 10 South, Range 28 East, Race Track-San Andres Pool, Chaves County, New Mexico. Also the NE/4 NE/4 Section 28, Township 10 South, Range 28 East, LE Ranch-San Andres Pool, Chaves County, and the SW/4 NE/4 Section 15, Township 11 South, Range 28 East, East Chisum-San Andres Pool, Chaves County. Each of the aforesaid 40-acre tracts would comprise a drilling unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered, with respect to each of the above described drilling units and well, will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision; also to be considered will be the designation of applicant as operator of each well and a charge for risk involved in drilling each well.

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- CASE 6404:** Application of Sun Production Company for compulsory pooling, non-standard gas proration unit, and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Esmont Gas Pool underlying the SE/4 of Section 35, Township 19 South, Range 36 East, Lea County, New Mexico, to form a non-standard 160-acre proration unit to be dedicated to a well to be drilled at an unorthodox location 810 feet from the South line and 2030 feet from the East line of said section. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
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JAMES W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN
HAROLD AUBREY

KELLAHIN and FOX
ATTORNEYS AT LAW
P. O. BOX 1789
SANTA FE, NEW MEXICO 87501

NOV 15 1978

TELEPHONE 968-4281
AREA CODE 505

November 13, 1978

Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Sun Production Company

Dear Joe:

Please amend our application for Sun Production Company
for forced pooling mailed to you on November 7th to include
the following additional non-consenting owners:

Betty M. Dreessen
Box 817
Los Altos, California 94022 .016667% interest

Betty M. Dreessen and Ingrid
Powell, Trustees of Marie I.
Kyte, revocable living trust
Box 817
Los Altos, California 94022 .03333% interest

Very truly yours,


W. Thomas Kellahin

CC: J. T. Powers

WTK:kfm

ANDREW W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN
KAREN AUBREY

KELLAHIN and FOX
ATTORNEYS AT LAW
P. O. BOX 1788
SANTA FE, NEW MEXICO 87501

November 7, 1978

NOV 13 1978

TELEPHONE 908-4200
AREA CODE 505

CONSERVATION DIVISION
Santa Fe

Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Sun Production Company

Dear Joe:

Please set the enclosed application for hearing on
December 6, 1978.

Very truly yours,

W. Thomas Kellahin
W. Thomas Kellahin

CC: Mr. J. T. Powers

WTK:kfm

Enclosure

NOV 13 1950

Santa Fe
BEFORE THE NEW MEXICO DEPARTMENT
OF ENERGY AND MINERALS
OIL AND GAS DIVISION

Case 6404

IN THE MATTER OF THE APPLICATION
OF SUN PRODUCTION COMPANY FOR
COMPULSORY POOLING, NONSTANDARD
GAS PRORATION UNIT, AND UNORTHODOX
WELL LOCATION, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

COMES NOW SUN PRODUCTION COMPANY and as provided by
Section 65-3-14, New Mexico Statutes 1953, as amended, applies
to the Oil Conservation Division for an order pooling all the
mineral interests in and under SE/4 of Section 35, T19S, R36E,
Lea County, New Mexico, for a nonstandard gas proration unit
consisting of 160 acres and for an unorthodox well location
²⁰³⁰
~~1980~~ feet from the East line and ⁸¹⁰~~760~~ feet from the South line
of said section, and in support thereof would show:

1. Applicant is the owner of the right to drill and
develop the SE/4 of Section 35, T19S, R36E, NMPM.
2. Applicant has obtained voluntary agreement for pooling
from all but the following:

W. E. F. Holding, Inc.
531 5th Avenue
New York, New York 10017 .104687%

Rosalind Redfern
P. O. Box 1747
Midland, Texas 79702 .001230375%

3. As required by the provisions of Division Rule 104
applicant proposes to dedicate the SE/4 of said section to
the well which constitutes a nonstandard gas proration unit.

4. Applicant requests to be designated operator of the
pooled unit.

5. Applicant proposes to drill a well to test the Eumont gas pool at an unorthodox gas well location 760 feet from the South line and 1980 feet from the East line of said section.

6. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interests indicated above and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Division should pool all interests in the spacing or proration unit as a unit.

WHEREFORE, Applicant respectfully requests that the Division set this matter for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling all interest underlying the SE/4 of Section 35, T19S, R36E, N.M.P.M., Lea County, New Mexico, and designating applicant operator of the pooled unit, together with provisions for applicant to recover its costs out of production including a risk factor to be determined by the Division and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear, for a nonstandard gas proration unit consisting of SE/4 of said section and for an unorthodox location as requested and for such other and further orders as may be proper.

Respectfully submitted,

SUN PRODUCTION COMPANY

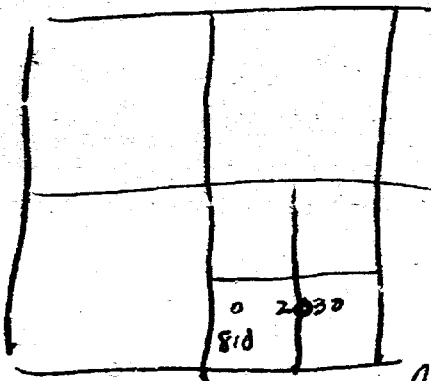
By

W. Kellahin
Kellahin & Fox

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT



*2640
2030
610*
Loc is about 60' close to western boundary

Phone Expedite

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. 6404

Order No. P- 5896

APPLICATION OF SUN PRODUCTION
COMPANY FOR COMPULSORY POOLING,
NON-STANDARD GAS PRORATION UNIT, AND
AN UNORTHODOX WELL LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 7
19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stamets
NOW, on this _____ day of December, 1978, 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, Sun Production Company,
seeks an order pooling all mineral interests in the Eumont
Gas Pool underlying the SE/4
of Section 35, Township 19 South, Range 36 East
NMPM, ~~Section 35, Township 19 South, Range 36 East~~, Lea County, New
Mexico.

*and for approval of order
to form a 160-acre non-standard proration unit,
said pool, approval of which is also requested.*

Case No.
Order No. R-

Said section.

(3) That the applicant has the right to drill and proposes to drill a well ~~on a non-standard 160-acre proration unit to be dedicated to a~~ ~~at an unorthodox location~~ 810 feet from the South line and 2030 feet from the East line of

(4) That there are interest owners in the proposed proration unit ^{Locally} who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit, *granting the non-standard proration unit, and approving the unorthodox location*

(6) That the applicant should be designated the operator of the subject well and unit.

~~(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.~~

~~(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional _____ thereof as a reasonable charge for the risk involved in the drilling of the well.~~

~~(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.~~

~~(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.~~

(11) That _____ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

OK (12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Bumont Gas Pool ~~formation~~ underlying the SE/4 of Section 35, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form ^{a non-} ~~a~~ standard 160- acre gas spacing and production unit to be dedicated to a well to be drilled at an ~~unspecified~~ location 810 feet from the South line and 2030 feet from the East line of said section.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Sun Production Company is hereby designated the operator of the subject well and unit.

~~(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.~~

~~(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.~~

~~(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.~~

~~(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided~~

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, _____ of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That _____ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

Case
Order No.

~~(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.~~

~~(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.~~

(3) ~~(2)~~ That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

5923 T3

Amberg

CASE 6405: LARUE AND MUNCY FOR EXCEP-
TION TO ORDER NO. R-111-A, EDDY COUNTY,
NEW MEXICO