

DANIEL S. NUTTER

REGISTERED PETROLEUM ENGINEER

PETROLEUM CONSULTATION AND STATE AND FEDERAL REGULATORY SERVICES

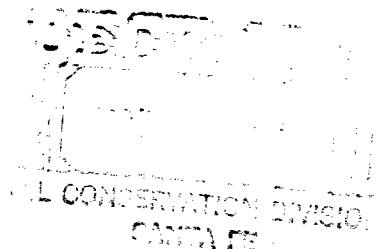
105 EAST ALICANTE

SANTA FE, NEW MEXICO 87501

PHONE (505) 982-0757

March 7, 1985

Mr. Richard L. Stamets, Director
Oil Conservation Division
Energy and Minerals Department
Post Office Box 2088
Santa Fe, New Mexico 87501



Re: Hamon Oil Company Off-Lease Storage
Sec 36, Twp 18 S, Rge 33 E
E-K Bone Spring Pool, Lea Co., N.M.

Dear Mr. Stamets:

Hamon Oil Company hereby respectfully requests administrative approval pursuant to the provisions of Division Rule 309-C for the off-lease storage of EK-Bone Spring production from its State LG-2484 Lease in a tank battery to be located on its New Mexico "36" State Com Lease, which comprises a portion of State of New Mexico Lease No. V-697.

The LG-2484 lease comprises 320 acres, being the W/2 of Section 36, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. The V-697 Lease also comprises 320 acres, being the E/2 of the same section. Inasmuch as the the N/2 of Section 36 has been communitized to form a 320-acre proration unit for the Atoka and Morrow formations, this lease has been designated as the New Mexico "36" State Com.

At the present time, New Mexico "36" State Com Well No. 1, located on the State V-697 lease at a point 660 feet from the North line and 1980 feet from the East line of Section 36, is completed and producing into a tank battery immediately west of the well. New Mexico "36" State Com Well No. 2, formerly designated New Mexico "36" State Com No. 3, is currently drilling at a point 660 feet from the North and East lines of Section 36. State LG-2484 Well No. 1, formerly designated New Mexico "36" State Com Well No. 2, is located on the LG-2484 lease at a point 660 feet from the North line and 1980 feet from the West line, and is currently in the process of being completed. This well, and any other EK-Bone Spring wells which might be drilled on the LG-2484 Lease in the W/2 of Section 36, would be produced into a twin tank battery located immediately west of the New Mexico "36" State Com battery. Division Forms C-103 have been filed with the Division's Records Office reflecting the above-mentioned changes in lease name and well numbers.

Richard L. Stamets
March 7, 1985
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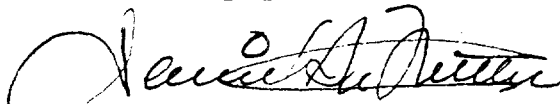
There would be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease except that they would share a common water storage tank. All hydrocarbon production from each lease, both gas and oil, would at all times be isolated, and there would be no commingling of the hydrocarbon production between leases until after being sold.

Approval of this application will not result in any waste or impairment of correlative rights. Approval could, however, at some time in the future result in some indeterminate amount of additional reserves being produced as the result of lowered operating costs because the two tank batteries, being close together, would be more inexpensive to operate, and therefore cause the economic life of the wells to be extended.

All interest owners in the subject leases were notified of our intent to file this application on February 21, 1985, as evidenced by the attached letter and mailing list. Also attached you will find the consent to this proposal from the Commissioner of Public Lands.

Approval of the application at your earliest convenience will be greatly appreciated.

Very truly yours,



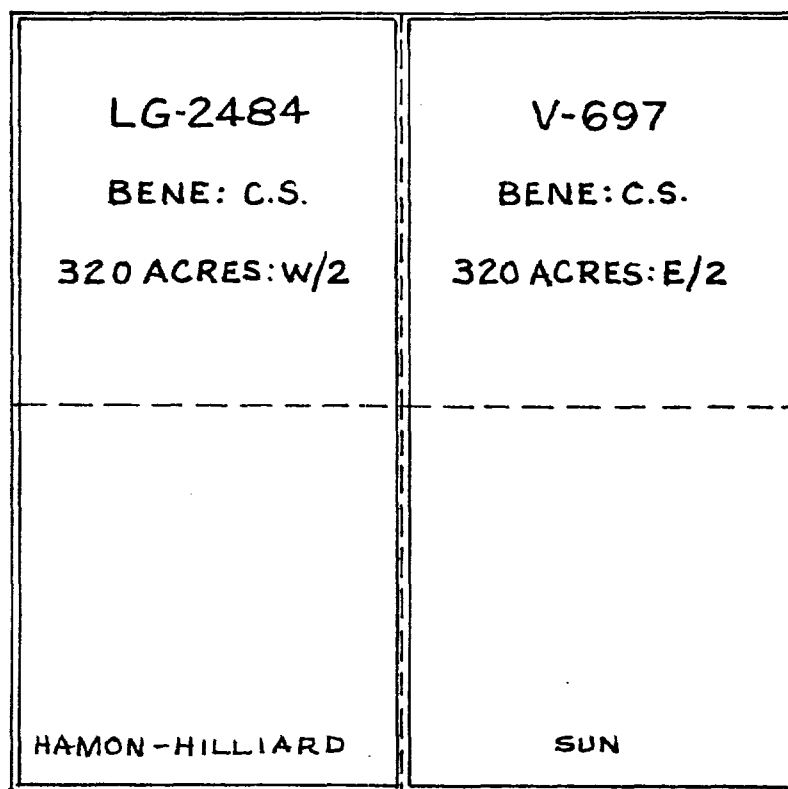
Daniel S. Nutter, P.E., and
Agent, Hamon Oil Company

DSN:ms

cc: Mr. Cecil Barton
Hamon Oil Company
611 Petroleum Building
Midland, Texas 79701

Mr. Jerry Sexton, District Supervisor
New Mexico Oil Conservation Division
Post Office Box 1980
Hobbs, New Mexico 88240

Mr. Ray Graham
New Mexico State Land Office
Santa Fe, New Mexico

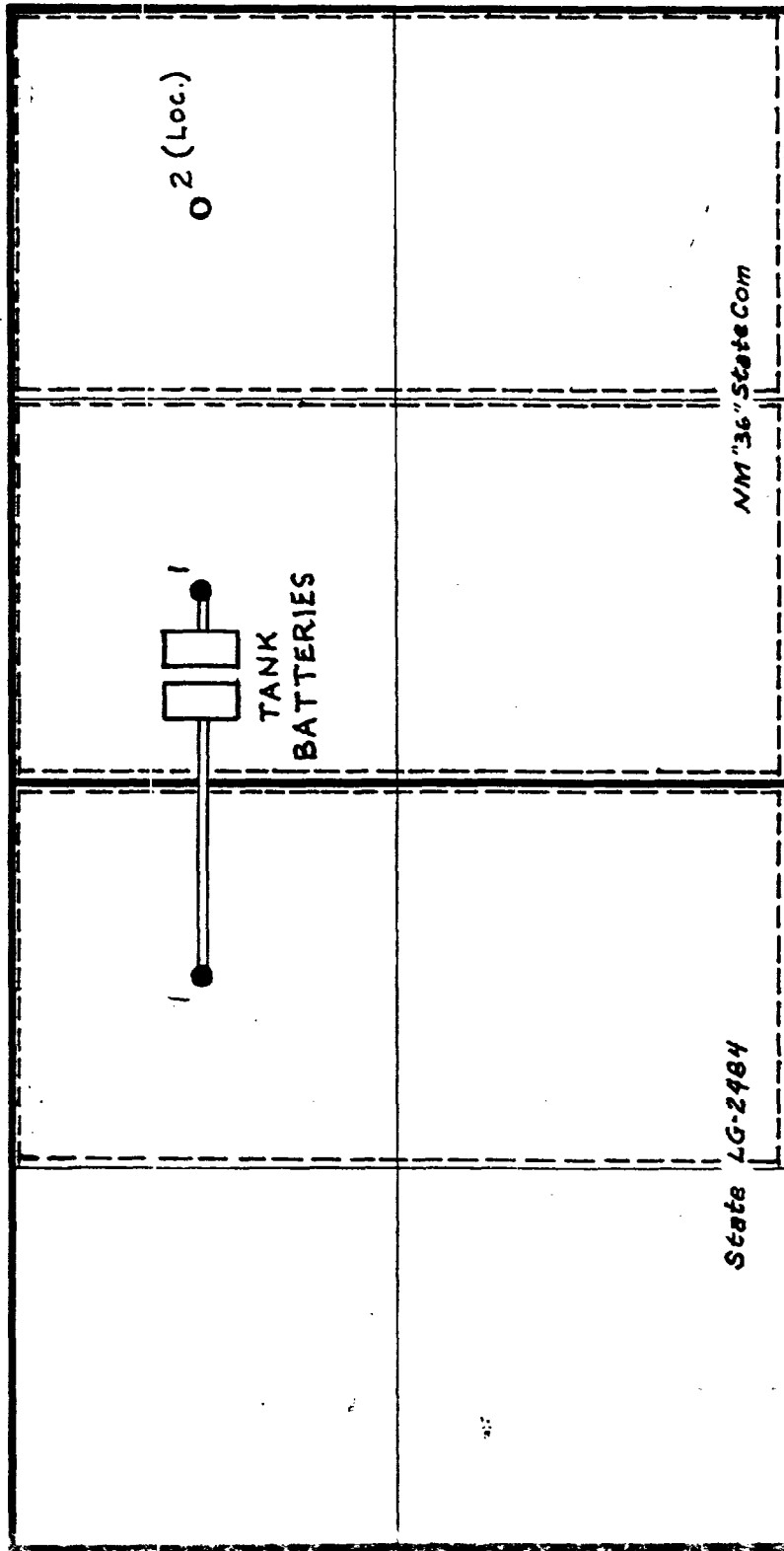


SEC. 36, T. 18S, R33E.

LEA COUNTY, N.M.

HAMON OIL CO.
OFF-LEASE STORAGE

EX. 1
DSN 3-7-85

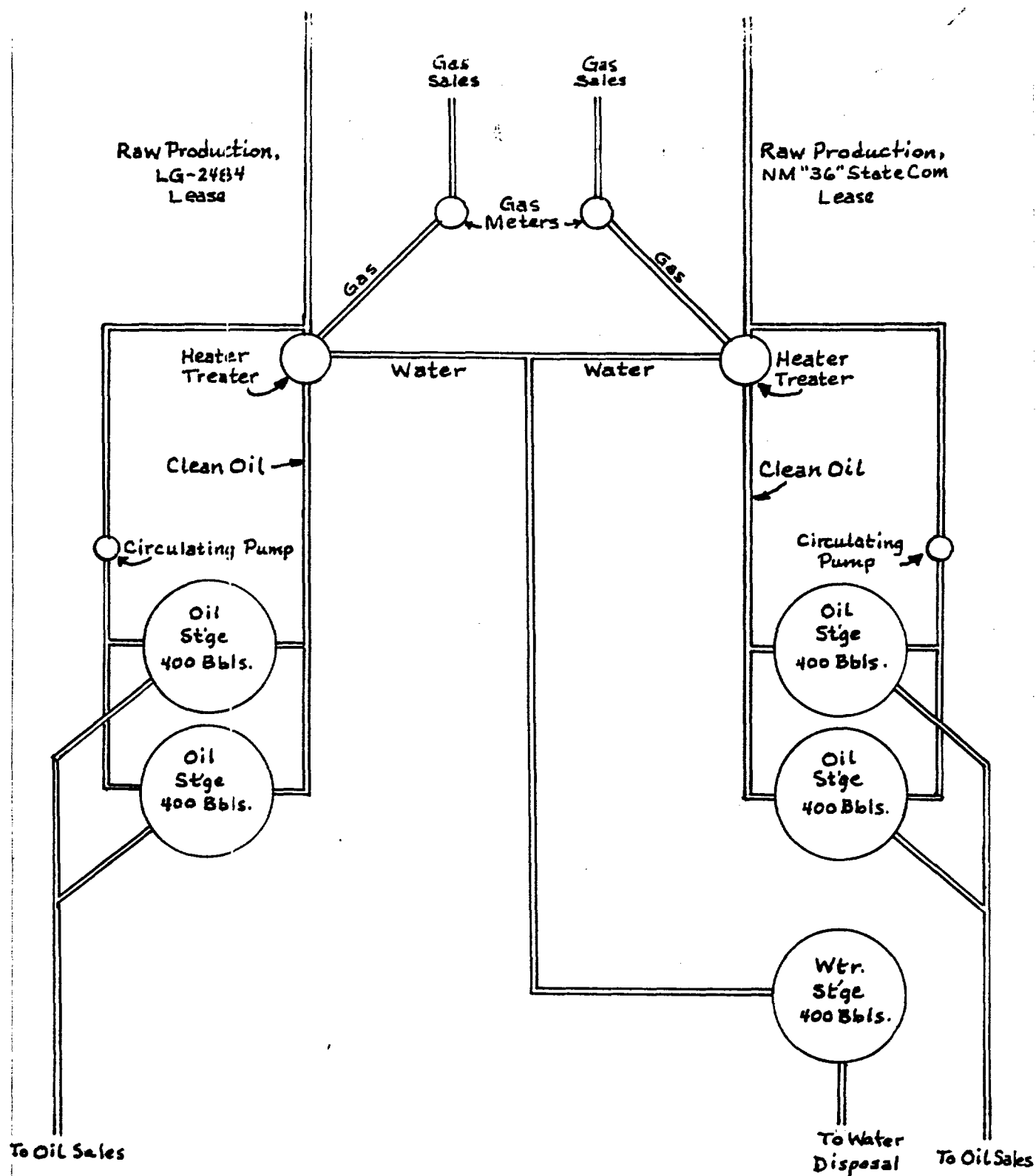


N/2 Sec. 36, T18S, R33E

Lea County, NM.

PRORATION UNIT BOUNDARY

HAMON EX. 2
DSN 3-7-85



SEPARATE TANK BATTERIES
LG-2484 AND NM "36" STATE COM
LEASES

HAMON EX. 3
DSN 3-7-85

HAMON OIL COMPANY

OIL PRODUCER
611 PETROLEUM BUILDING
MIDLAND, TEXAS 79701

PHONE
(915) 682-5218

February 21, 1985

Working Interest Partners
(List Attached)

CERTIFIED MAIL

RE: Off-Lease Storage
New Mexico "36" State Com No. 2
EK Bone Spring Field
Lea County, New Mexico

Gentlemen:

When Hamon constructed the tank battery for the No. 1 well, located on the west side of of the No. 1 location, it was thought the Nos. 1 and 2 wells could go into this battery and the production commingled. However, since one well has a 1/6th royalty to the State and the other well has a 1/8th royalty, the State Land Commission has told us that the production must be separated.

The tank battery was constructed in such a manner that we can physically separate the four (4) 400-barrel tanks and make two batteries containing two (2) 400-barrell stock tanks and keep the production separated. The problem with this arrangement is that the battery will not be on the lease of the No. 2 well.

Hamon will apply with the State Land Office and with the New Mexico Oil Conservation Commission for an off-lease storage approval so we can utilize the existing tank battery for the two wells. To obtain this approval, it is necessary for all parties owning an interest in the leases to have consented in writing to the off-lease storage. In lieu of the written consent, the Division Director may approve the application after a period of twenty (20) days, if no objection has been made from the interest owners.

Working Interest Partners (List Attached)

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February 21, 1985

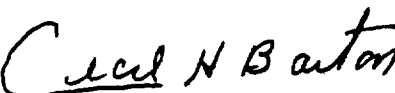
RE: Off-Lease Storage

New Mexico "36" State Com No. 2

If you have no objection to the off-lease storage, please sign the enclosed consent and return two (2) copies to Hamon's Midland office as soon as possible.

Sincerely yours,

HAMON OIL COMPANY

By: 
Cecil H. Barton
Production Engineer

CHB/dn

Enclosures

cc: Mr. James Massey

Mr. Daniel S. Nutter ✓
105 East Alrcante
Santa Fe, New Mexico 87501

NEW MEXICO "36" STATE COM NO. 2

Working Interest Partners

Sun Exploration & Production Company
#24 Smith Road, Suite 600
Midland, TX 79705
Attn: Don Smith

Don O. Chapell
2230 Republic Bank Tower
Dallas, TX 75201

C. W. Trainer
526 Sandy Mountain Drive
Sunrise Beach, TX 78643

Marvin C. Gross
P.O. Box 258
Roswell, NM 88201

Gordon E. Herkenhoff
P.O. Box 1217
Albuquerque, NM 87103

Eloy S. Duran
P.O. Box 1854
Roswell, NM 88201

Ralph C. McElvain
4030 Powers Circle
Salt Lake City, UT 84117

Abbott Brothers Company
P.O. Box 637
Hobbs, NM 88240
Attn: Mr. Murrell Abbott, President

Smith Collins
P. O. Box 2449
Hobbs, NM 88240

Barstow Salt Water Disposal, Inc.
P.O. Box 9370
Midland, TX 79708

George Fram
P.O. Box 563
Roswell, NM 88201

Hilliard Oil & Gas, Inc.
3000 N. Garfield, Suite 120
Midland, TX 79705

Mexco Energy Corporation
P.O. Box 10502
Midland, TX 79702

State of New Mexico
Energy and Minerals Department
Oil Conservation Commission
P.O. Box 1980
Hobbs, NM 88240

RE: Off-Lease Storage
New Mexico Lease No. V-679
W/2 Section 36, T-18-S, R-33-E
Lea County, New Mexico

Gentlemen:

A request for permission for off-lease storage has been received from Hamon Oil Company, as operator, on the referenced lease.

As a party owning an interest in this lease, I have no objection for off-lease storage on the referenced lease and request approval be given.

Very truly yours,

By: _____

Date: _____

DANIEL S. NUTTER

REGISTERED PETROLEUM ENGINEER

PETROLEUM CONSULTATION AND STATE AND FEDERAL REGULATORY SERVICES

105 EAST ALICANTE

SANTA FE, NEW MEXICO 87501

PHONE (505) 982-0757

February 22, 1985

Commissioner of Public Lands
State Land Office Building
Santa Fe, New Mexico 87501

ILLEGIBLE

Re: Hamon Oil Company
Off-Lease Storage, LG-2484 Lease
W/2 Sec. 36, T 18 S, R 33 E
Lea County, New Mexico

Attn: Mr. Ray D. Graham

Gentlemen:

Hamon Oil Company hereby respectfully requests approval for the off-lease measurement and storage of EK-Bone Spring production from its State LG-2484 Lease in a tank battery to be located on its State V-697 Lease.

The LG-2484 lease comprises 320 acres, being the W/2 of Section 36, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. The V-697 lease also comprises 320 acres, being the E/2 of the same section. Although the N/2 of Section 36 has been communitized to form a 320-acre proration unit for the Atoka and Morrow formations, that communitization is not applicable to the EK-Bone Spring Pool, for which this off-lease storage is being requested.

At the present time, Well No. 1, located on the State V-697 lease at a point 660 feet from the North line and 1980 feet from the East line of Section 36, is completed and producing into a tank battery immediately west of the well. Well No. 2, located on the LG-2484 lease at a point 660 feet from the North line and 1980 feet from the West line, is in the process of being completed, and would be produced into a twin tank battery immediately west of the V-697 battery. Well No. 3 on the V-697 lease has been staked and is planned to be drilled as our third Bone Spring well at a point 660 feet from the North and East lines of Section 36. There would be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease except that they would share a common water storage tank. All hydrocarbon production, both gas and oil, would at all times be isolated, and there would be no commingling of the production between leases until after being sold.

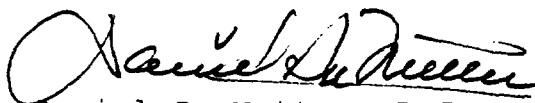
Commissioner of Public Lands
February 22, 1965
Page 2

Approval of this application will not result in any monetary loss to the state, either now or in the future. Approval could, however, at some time in the future result in some indeterminate amount of financial gain to the state as the result of lowered operating costs because the two tank batteries, being close together, would be more inexpensive to operate, and therefore cause the economic life of the wells to be extended, resulting in additional production and consequent additional royalties been paid the state.

My check in the amount of \$30.00 to cover the filing fee for this application is attached.

Approval of this application at your earliest convenience will be greatly appreciated.

Very truly yours,



Daniel S. Nutter, P.E., and
Agent, Hamon Oil Company

DSN:ms

cc: Mr. Cecil Barton
Hamon Oil Company
611 Petroleum Building
Midland, Texas 79701

