

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

**IN THE MATTER OF
THE APPLICATION OF TEXACO
EXPLORATION AND PRODUCTION INC.
FOR AN UNORTHODOX LOCATION,
EDDY COUNTY, NEW MEXICO**

RECEIVED

OCT 21 1995

Oil Conservation Division

**CASE NO. 11385
ORDER NO. R-10467**

**MOTION TO DISMISS
SANTA FE ENERGY RESOURCES, INC.'S
MOTION TO REOPEN CASE OR, IN THE ALTERNATIVE,
APPLICATION FOR HEARING *DE NOVO***

Texaco Exploration and Production Inc. ("Texaco"), hereby moves the Division to dismiss the Motion of Santa Fe Energy Resources, Inc. ("Santa Fe") to Reopen Case or, in the Alternative, Application for Hearing *De Novo*. In support of this motion, Texaco states:

1. In Case 11385, Texaco sought approval of an unorthodox location for a well to be drilled to the Morrow formation 1028 feet from the South line and 1227 feet from the East line (Unit P) of Section 28, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. The unorthodox location requested by Texaco was approved by the Division by Order No. R-10467 on September 27, 1995.

2. Santa Fe grounds its Motion to Reopen the Case or for a Hearing *De Novo* on the argument that it was entitled to receive notice of the September 21, 1995 hearing on Texaco's Application for an Unorthodox Location, Eddy County New Mexico because it

owns an interest in the NW/4 and W/2 NE/4 of section 34, township 17 South, Range 31 East which diagonally offsets to the southeast the Texaco well location.

3. As the unorthodox location is closer to the eastern boundary of the standard spacing unit than permitted by rule, Division rules required Texaco to give notice to "any operator of a spacing unit or owner of an undrilled lease which adjoins the applicant's spacing unit on one or more of the two sides or the single corner closest to the proposed well." Division Rule 1207(a)(2).

4. For purposes of the Division rules, an "operator" is "any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property." Division Rule 0.1 (Definitions).

5. As is evidenced by Exhibit "1" hereto, the interest that Santa Fe holds in Section 34 is subject to a Joint Operating Agreement dated August 25, 1981, by and between Harvey E. Yates Company (HEYCO) as Operator, and the following as Non-Operators: Maralo, Inc.; Erma Low; Wm. A. Hudson, E.R. Hudson, Jr., and W.A. Hudson II, Trustees; Edward R. Hudson, Agent for B.D. Moore, et.al; Yates Petroleum Company; Pennzoil Company; Wainoco, Inc.; Marathon Oil Company; Amoco Production Company; Mobil Producing Texas & New Mexico; and Cibola Energy Corporation. A Notice of Operating Agreement that put Santa Fe on notice that its interest was subject to the August 25, 1981 Joint Operating Agreement which designated HEYCO as operator of section 34 was recorded in Book 215, page 830 of the official records of Eddy County on September 14, 1982.

MOTION TO DISMISS

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6. As is evidenced by Exhibit "2" hereto, the Assignment from Amoco Production Company, by which Santa Fe received its interest in Section 34, expressly references the August 25, 1981 Joint Operating Agreement designating HEYCO as operator of Section 34. That Assignment expressly recognizes that "This is a Contractual Interest lease obtained by virtue of that Joint Operating Agreement dated August 25, 1981 between Harvey E. Yates Company, as Operator, and Maralo, Inc., et al as Non-Operators." Ex. 2, Sub-Ex. "A" at 2.

7. The above-referenced instruments clearly show that the interest that Santa Fe holds in Section 34 is subject to the August 25, 1981 Joint Operating Agreement and that HEYCO is operator of that Section.

8. Notice of the hearing in this matter was given to, among others, HEYCO, as indicated on Exhibit 1 introduced by Texaco at the hearing, a copy of which is attached to this Motion.

9. Because Texaco notified HEYCO, the operator of Section 34, of the hearing on this matter, the notice requirements of Division Rule 1207(a)(2) were satisfied. Because Santa Fe is a holder of an interest that was subject to the August 25, 1981 Joint Operating Agreement that designated HEYCO as operator, Division Rule 1207(a)(2) did not require Texaco to provide actual notice of the hearing to Santa Fe.

10. As the interest that Santa Fe holds is a Contractual Interest lease subject to the August 25, 1981 Joint Operating Agreement, any grievance which Santa Fe has as a result of Division Order R-10467 is against HEYCO, who operates this Section for all interest

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owners therein, and is not properly addressed by Santa Fe's current Motion before the Division.

Therefore, as Texaco fulfilled the notice requirements of Division Rule 1207(a)(2), and Division Order No. R-10467 was issued in full complied with all Division Rules, Texaco respectfully requests that the Division dismiss the Motion of Santa Fe Energy Resources, Inc. ("Santa Fe") to Reopen Case or, in the Alternative, Application for Hearing *De Novo*.

CAMPBELL, CARR & BERGE, P.A.

By 

William F. Carr, Esq.

Paul R. Owen, Esq.

Post Office Box 2208

Santa Fe, NM 87504-2208

505-988-4421

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Motion to Dismiss was mailed to James M. Bruce, Esq. Post Office Box 2068, Santa Fe, New Mexico 87504-2068 this 31st day of October, 1995.



Paul R. Owen, Esq.

All air-photographic images of documents on this film strip are authorized documents in the possession of this agent in accordance with the Statement of Document Certification on file at this office. These documents are certified microfilm as a necessary condition in the production of an electronic document file.
 Charles Brown
 9/15/82

NOTICE OF OPERATING AGREEMENT

Notice is hereby given that the following described lands situated in Eddy County, New Mexico, to wit:

Township 17 South, Range 31 East

Section 34: ALL
Section 35: ALL

Township 18 South, Range 31 East

Section 2: Lcts 1,2,3,4, S/2 N/2, S/2
Section 3: ALL

are subject to that certain Joint Operating Agreement dated August 25, 1981, by and between Harvey E. Yates Company as Operator, and those parties listed hereunder as Non-Operators:

- Maralo, Inc.
- Erma Lowe
- Wm. A. Hudson, E. R. Hudson, Jr., and W. A. Hudson II, Trustees
- Edward R. Hudson, Agent for B. D. Moore, et al
- Yates Petroleum Company
- Pennzoil Company
- Wainoco, Inc.
- Marathon Oil Company
- Amoco Production Company
- Mobil Producing Texas & New Mexico
- Cibola Energy Corporation

DATED this 10th day of September, 1982.

ATTEST:

Rosemary Auesy
 Assistant Secretary

HARVEY E. YATES COMPANY

By: *[Signature]*
 President

STATE OF NEW MEXICO)
) ss
 COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 10 day of September, 1982, by GEORGE M. YATES, President of HARVEY E. YATES COMPANY, a New Mexico corporation, on behalf of said corporation.

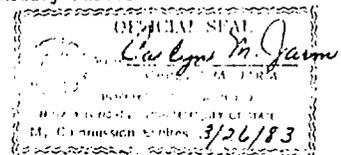
My Commission Expires:

March 26, 1983

STATE OF NEW MEXICO County of Eddy, ss. I hereby certify that this instrument was filed for record on the 14 day of September 1982 at 10:15 o'clock A. M., and recorded in the Records of Miscellaneous, Book 215 Page 830
 VIRGIE COLE, County Clerk

By: Charles T. Waight, Deputy

Notary Public



Unit Mstrs #1

Attached to and made a part of that certain Assignment dated the ___ day of _____, 1990 by and between Amoco Production Company and Santa Fe Energy Operating Partners, L.P.

✓ AMOCO LPN: 343033---

FEDERAL LEASE NO.: NM 17595

ORIGINAL LESSOR: United States of America

ORIGINAL LESSEE: Gary B. Lansdale, Sr.

LEASE DATE: March 1, 1973

RECORDED: Not Recorded

AMOCO CONTRACT NO(S): 106,721

DESCRIPTION: T-17-S, R-31-E, Eddy County, New Mexico
 Section 34: Rights between 5500' and 12,674' in the SE/4 NE/4
 Section 35: Rights between 5500' and 12,674' in the SW/4 NW/4
 and NW/4 SW/4

This is a Contractual Interest Lease obtained by virtue of that Joint Operating Agreement dated August 25, 1981 between Harvey E. Yates Company, as Operator, and Maralo, Inc., et al as Non-Operators.

✓ AMOCO LPN: 343034---

STATE LEASE NO.: NM 987

ORIGINAL LESSOR: State of New Mexico

ORIGINAL LESSEE: Magnolia Petroleum Company

LEASE DATE: June 10, 1946

RECORDED: Book 127, Page 380

AMOCO CONTRACT NO(S): 106,721

DESCRIPTION: T-18-S, R-31-E, Eddy County, New Mexico
 Section 2: Rights between 5500' and 12,674' in Lot 3, S/2 NW/4,
 SW/4 SW/4

This is a Contractual Interest Lease obtained by virtue of that Joint Operating Agreement dated August 25, 1981 between Harvey E. Yates Company, as Operator, and Maralo, Inc., et al as Non-Operators.

✓ AMOCO LPN: 343036---

FEDERAL LEASE NO.: LC 070003

ORIGINAL LESSOR: United States of America

ORIGINAL LESSEE: Virginia Lee Saunders

LEASE DATE: September 1, 1951

RECORDED: Not Recorded

AMOCO CONTRACT NO(S): 106,721

DESCRIPTION: T-17-S, R-31-E, Eddy County, New Mexico
 Section 34: Rights between 5500' and 12,674' in the NW/4, W/2
 NE/4
 Section 35: Rights between 5500' and 12,674' in the E/2, E/2
 W/2, NW/4 NW/4, SW/4 SW/4

This is a Contractual Interest Lease obtained by virtue of that Joint Operating Agreement dated August 25, 1981 between Harvey E. Yates Company, as Operator, and Maralo, Inc., et al as Non-Operators.

TRC/szd
 Tamano Prospect

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the ___ day of February, A.D. 19 91 at 1:19 o'clock P. M., and duly recorded in BOOK 88 PAGE 979 of the Eddy County Records.

KAREN DAVIS, County Clerk

By John C. Reg Deputy

All microphotographic images of documents on this film strip are of authorized documents in the possession of this agency as noted in the Statement of Document Certification and the original documents are hereby identified as a secondary operation in the production of a microphotographic film.
 02-28-91
 DATE OF FILMING
 #504

EXHIBIT "A"

Attached to and made a part of that certain Assignment dated the ____ day of _____, 1990 by and between Amoco Production Company and Santa Fe Energy Operating Partners, L.P.

All microphotographic images of documents on this film strip are of authentic accuracy. The personnel of this agency as noted in the Statement of Document Services at the top of this strip, have examined the microfilm strip and are satisfied that the reproduction of an individual microfilm strip is a true and accurate reproduction of the original document.

02-28-91
 DATE OF FILMING
 #504
 COLUMBIA GRAPHIC

✓ AMOCO LPN: 581760---

STATE LEASE NO.: LG-8368

ORIGINAL LESSOR: State of New Mexico

ORIGINAL LESSEE: Amoco Production Company

LEASE DATE: June 1, 1980

RECORDED: Book 191, Page 82B

AMOCO CONTRACT NO(S): 106,721

DESCRIPTION: T-18-S, R-31-E, Eddy County, New Mexico
 Section 2: Lots 1, 2, 4, S/2 NE/4, N/2 SW/4 and rights below the base of the Bone Spring Formation in the SE/4, SE/4 SW/4.

✓ AMOCO LPN: 343015---

FEDERAL LEASE NO.: LC 029388(D)

ORIGINAL LESSOR: United States of America

ORIGINAL LESSEE: Marathon Oil Company

LEASE DATE: November 1, 1981

RECORDED: Not Recorded

AMOCO CONTRACT NO(S): 106,721

DESCRIPTION: T-18-S, R-31-E, Eddy County, New Mexico
 Section 3: Rights between 5500' and 12,674' in Lot 3, S/2 NW/4, SE/4 and rights below the base of the Bone Spring Formation in Lot 4

This is a Contractual Interest Lease obtained by virtue of that Joint Operating Agreement dated August 25, 1981 between Harvey E. Yates Company, as Operator, and Maralo, Inc., et al as Non-Operators.

✓ AMOCO LPN: 343032---

FEDERAL LEASE NO.: LC 062052

ORIGINAL LESSOR: United States of America

ORIGINAL LESSEE: Hudson & Hudson, Inc.

LEASE DATE: December 1, 1959

RECORDED: Not Recorded

AMOCO CONTRACT NO(S): 106,721

DESCRIPTION: T-18-S, R-31-E, Eddy County, New Mexico
 Section 3: Rights between 5500' and 12,674' in Lots 1 and 2, S/2 NE/4, S/2 SW/4, NE/4 SW/4 and rights below the base of the Bone Spring Formation in the NW/4 SW/4

This is a Contractual Interest Lease obtained by virtue of that Joint Operating Agreement dated August 25, 1981 between Harvey E. Yates Company, as Operator, and Maralo, Inc., et al as Non-Operators.

TRC/szd
 Tamano Prospect

RECEIVED
OCT 21 1995

CAMPBELL, CARR, et al

Mesquite "3" Fed #3 Well (NM-3926)

BOOK 88 PAGE 979

ASSIGNMENT

STATE OF NEW MEXICO §
COUNTY OF EDDY §

KNOW ALL MEN BY THESE PRESENTS:

AMOCO PRODUCTION COMPANY, a Delaware corporation, whose address is Post Office Box 3092, Houston, Texas 77253, hereinafter called "Assignor", has granted, assigned and conveyed, and by these presents does grant, assign and convey, unto SANTA FE ENERGY OPERATING PARTNERS, L.P., whose address is 550 West Texas, Suite 1330, Midland, Texas 79701, hereinafter called "Assignee", an undivided 50% of all of its right, title and interest in and to the operating rights under the oil and gas leases, and/or the oil, gas and mineral leases (hereinafter referred to as "said leases", whether one or more), described and set forth in Exhibit "A" attached hereto and made a part hereof for all purposes, insofar as said leases cover the lands specifically described in said Exhibit "A" and, if specific depths are mentioned in Exhibit "A", only insofar as the specifically described depths in said lands. Assignor likewise hereby grants, assigns and conveys to Assignee a like percentage of its right, title and interest in and to all wells, equipment and other personal property located on said lands or used or obtained in connection therewith.

Assignor excepts and reserves from this assignment an overriding royalty interest equal to 20% of 8/8ths of all of the oil, gas and other minerals that may be produced, saved and marketed from the lands described in Exhibit "A" hereto under the terms of the leases described in said Exhibit "A", less all existing royalties, overriding royalties and obligations payable out of production from said lands under the terms of said leases. The overriding royalty shall be proportionately reduced if this assignment grants to Assignee less than the entire leasehold estate in said lands, and shall be computed and paid at the same time and in the same manner as royalties payable to the lessors under the terms of said leases are computed and paid. Assignor shall be responsible for Assignor's proportionate part of all taxes and assessments levied upon or against or measured by the production of oil and gas therefrom. No change in the ownership of the overriding royalty shall be binding upon Assignee until such time as Assignee shall have been furnished with either the original, a certified copy or an acceptable reproduction copy of the recorded instrument or instruments effecting the change in ownership.

This assignment is made without warranty, either expressed or implied, and is executed pursuant to and subject to all the terms and provisions of that certain Exploration and Drilling Agreement dated November 18, 1988, between Amoco Production Company and Santa Fe Energy Operating Partners, L.P. This assignment shall be binding upon the parties hereto, and their respective successors and assigns.

EXECUTED this 4th day of January, 1990, but effective on the 11th day of December, 1990.

AMOCO PRODUCTION COMPANY

By: William T. Hale
WILLIAM T. HALE
ATTORNEY-IN-FACT

STATE OF TEXAS §
COUNTY OF EDDY §

APPROVED
Jmt

(This instrument was acknowledged before me on the 4th day of Jan 1990, by WILLIAM T HALE, Attorney-in-Fact for AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation

My Commission Expires:

Shirley B Barnes
Notary Public

RECEPTION
911909

Jerry Murphy
State of Energy Op Firm
550 W Texas 501330
Midland TX 79701

TRC/szd
Tamano Prospect

SHIRLEY B. BARNES
Notary Public, State of Texas
My Commission Expires Nov 2, 1993

CERTIFICATION
All microphotographic images of documents on this film strip are of authorized documents in the possession of this agency as noted in the Statement of Document Certification on file at this agency. These documents are routinely microfilmed as a necessary operation in the operation of an inactive document file.
Paul Wright
#504
02-28-91
DATE OF FILMING