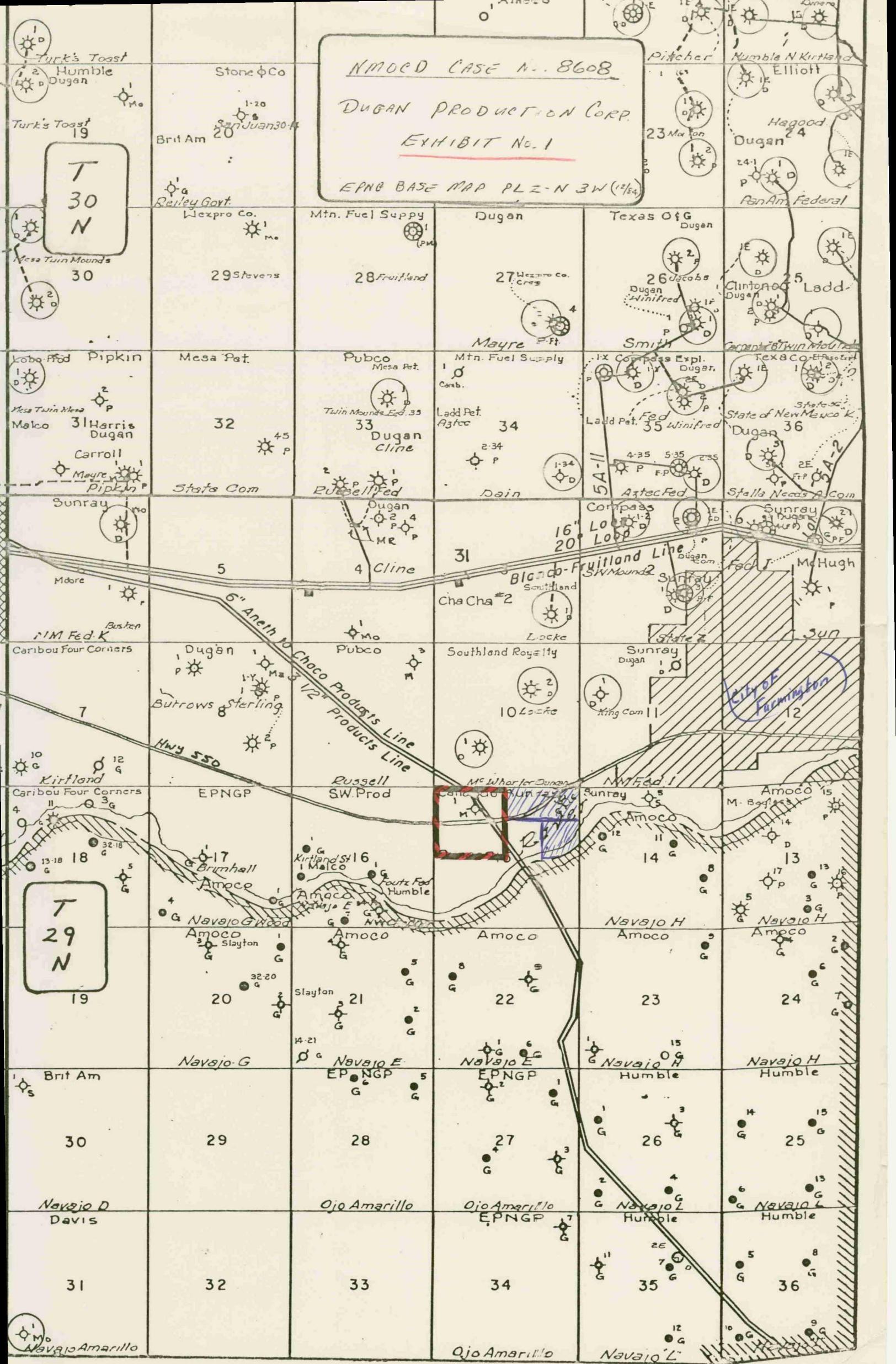


NMOC D CASE N. 8608
 DUGAN PRODUCTION CORP.
EXHIBIT No. 1
 EPNG BASE MAP PLZ-N 3W (12/84)

T
 30
 N

T
 29
 N



○ = DAKOTA PENETRATION

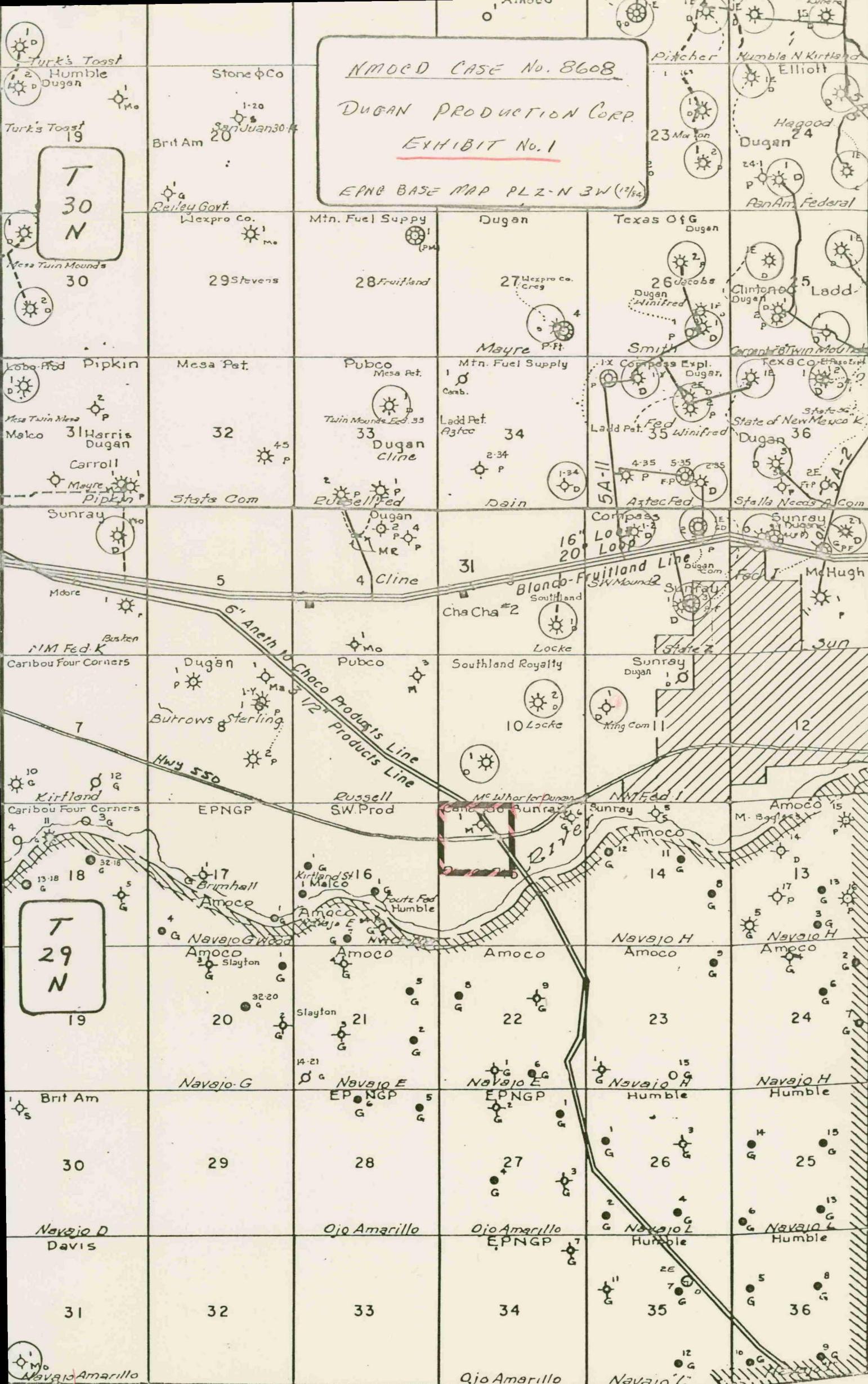
R-14-W

El Paso Map

NMOC D CASE No. 8608
 DUGAN PRODUCTION CORP.
EXHIBIT No. 1
 EPNG BASE MAP PLZ-N 3W (12/84)

T
 30
 N

T
 29
 N



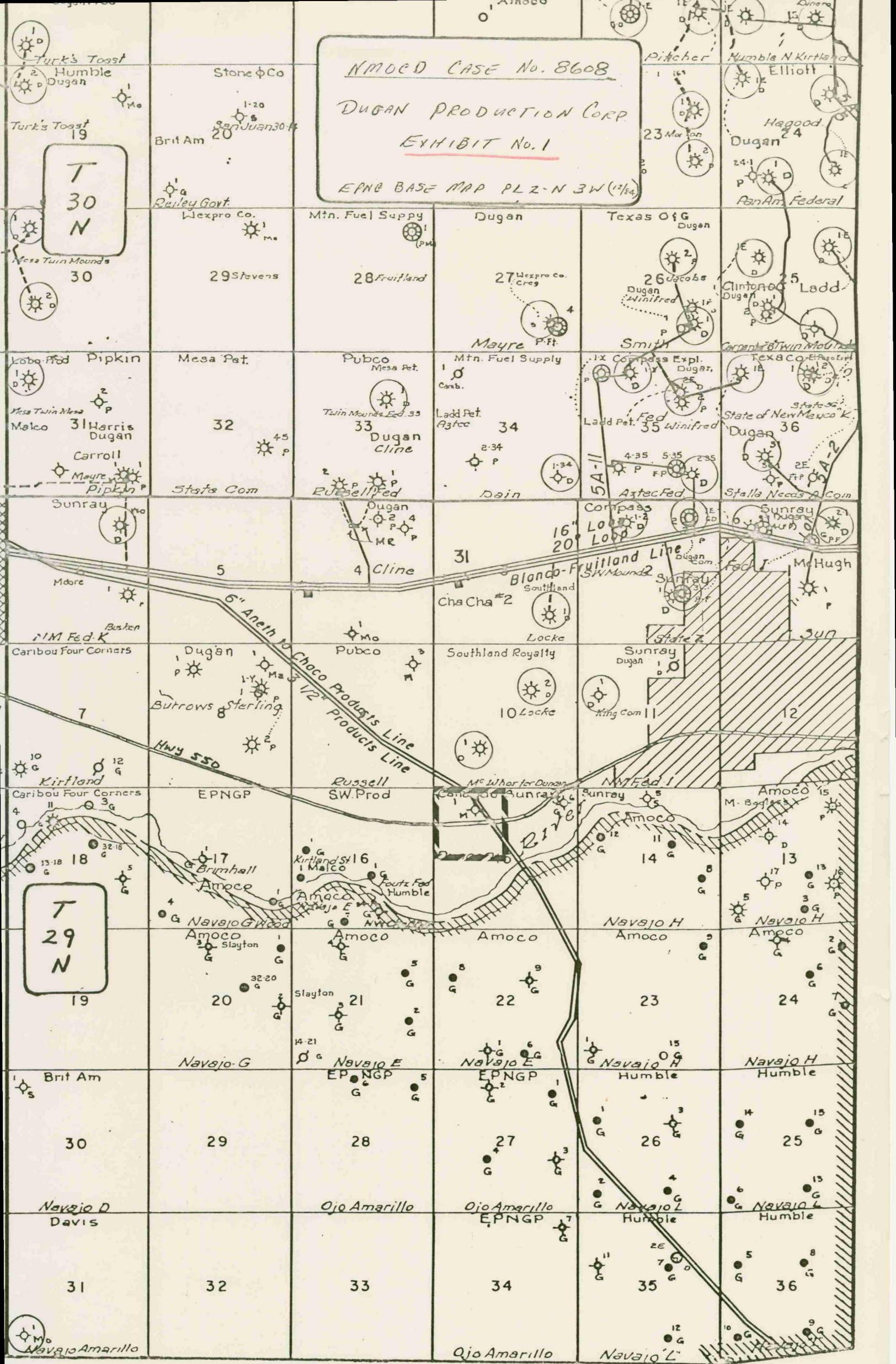
○ = DAKOTA Penetration

R-14-W

NMOC D CASE No. 8608
 DUGAN PRODUCTION CORP.
EXHIBIT No. 1
 EPNG BASE MAP PL 2-N 3W (12/54)

T
 30
 N

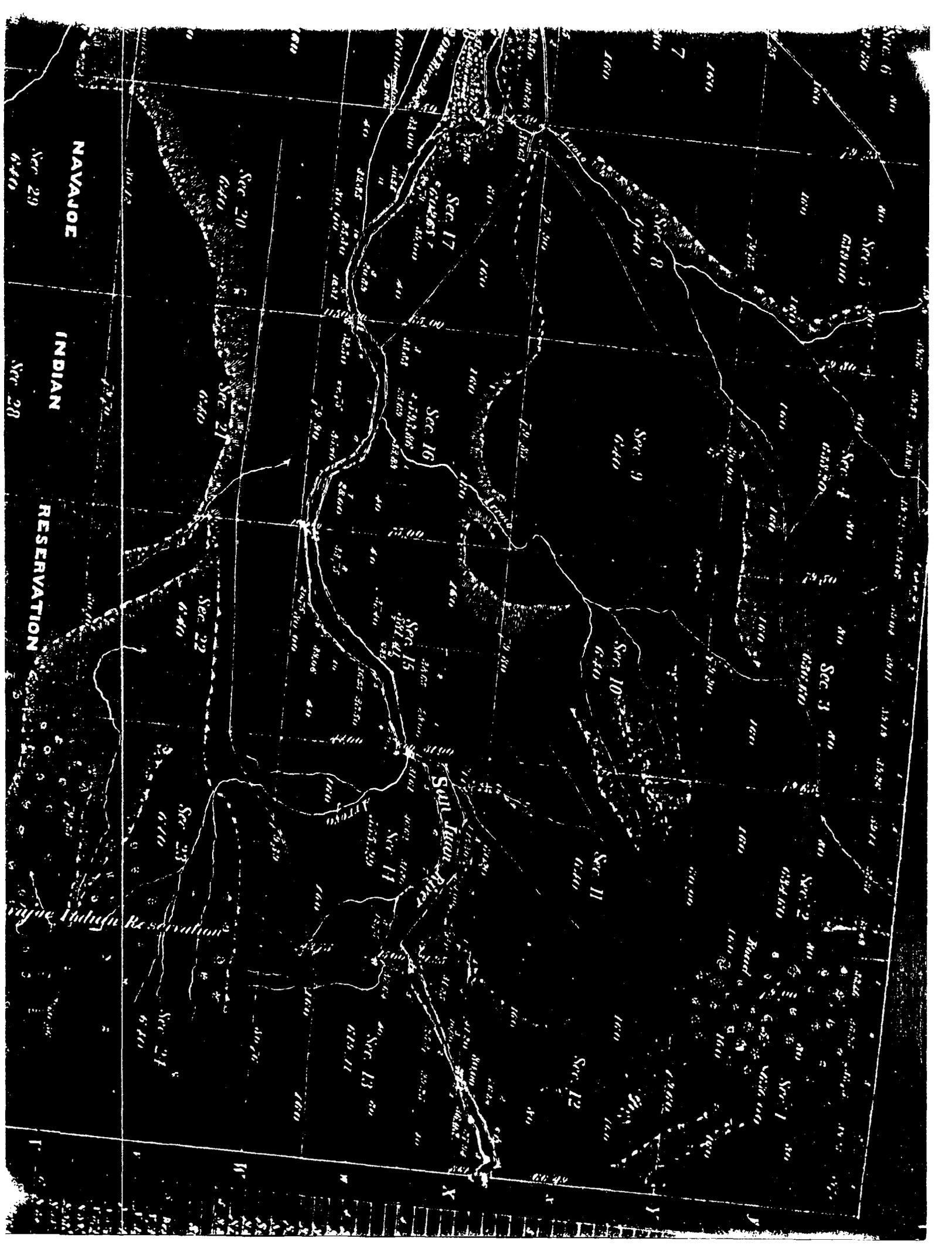
T
 29
 N



○ = DAKOTA Penetration

R-14-W





NAVAJO

INDIAN

RESERVATION

Salt River

Navajo Indian Reservation

Sec 29

Sec 28

Sec 27

Sec 26

Sec 25

Sec 20

Sec 21

Sec 22

Sec 23

Sec 24

Sec 17

Sec 16

Sec 15

Sec 14

Sec 13

Sec 8

Sec 9

Sec 10

Sec 11

Sec 12

Sec 3

Sec 4

Sec 5

Sec 6

Sec 7

Sec 6

Sec 7

Sec 8

Sec 9

Sec 10

Sec 11

Sec 12

Sec 13

Sec 14

Sec 15

Sec 16

Sec 17

Sec 18

Sec 19

Sec 20

Sec 21

Sec 22

Sec 23

Sec 24

Sec 25

Sec 26

Sec 27

Sec 28

Sec 29

Sec 30

Sec 31

Sec 32

Sec 33

Sec 34

Sec 35

Sec 36

Sec 37

Sec 38

Sec 39

Sec 40

Sec 41

Sec 42

Sec 43

Sec 44

Sec 45

Sec 46

Sec 47

Sec 48

Sec 49

Sec 50

Sec 51

Sec 52

Sec 53

Sec 54

Sec 55

Sec 56

Sec 57

Sec 58

Sec 59

Sec 60

Sec 61

Sec 62

Sec 63

Sec 64

Sec 65

Sec 66

Sec 67

Sec 68

Sec 69

Sec 70

Sec 71

Sec 72

Sec 73

Sec 74

Sec 75

Sec 76

Sec 77

Sec 78

Sec 79

Sec 80

Sec 81

Sec 82

Sec 83

Sec 84

Sec 85

Sec 86

Sec 87

Sec 88

Sec 89

Sec 90

Sec 91

Sec 92

Sec 93

Sec 94

Sec 95

Sec 96

Sec 97

Sec 98

Sec 99

Sec 100

Sec 101

Sec 102

Sec 103

Sec 104

Sec 105

Sec 106

Sec 107

Sec 108

Sec 109

Sec 110

Sec 111

Sec 112

Sec 113

Sec 114

 dugan production corp.
P. O. BOX 208
FARMINGTON, NEW MEXICO 87499

noted

New Mexico Oil Conservation Division
Attn: Richard L. Stamets
P O Box 2088
Santa Fe, NM 87501

 dugan production corp.

Robert G. Stovall
Land and Legal
(505) 325-1821

709 OLD BLOOMFIELD HWY. • P. O. BOX 208 • FARMINGTON, N.M. 87499

Dockets Nos. 17-85 and 18-85 are tentatively set for June 5th and June 19th, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 22, 1985

8:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or Gilbert P. Quintana, Alternate Examiner:

CASE 8599: Application of L. L. Robinett to remove and market oil from the Ogalalla formation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to remove and market oil from the Ogalalla formation underlying the S/2 SE/4 of Section 29, Township 19 South, Range 37 East, without restriction concerning the method of operation or quantity of oil recovered.

CASE 8461: (Continued from April 24, 1985, Examiner Hearing)

Application of Alpha Twenty-One Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Grayburg formation underlying the SE/4 NE/4 of Section 32, Township 18 South, Range 37 East, 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8600: Application of Wayne Newkumet for the contraction and extension of the horizontal limits of two Permo Pennsylvanian oil pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the North Morton-Permo Pennsylvanian Pool by the deletion therefrom of the S/2 of Section 25, SE/4 of Section 26, and the N/2 of Section 36, Township 14 South, Range 34 East, and the extension of the High Plains-Permo Pennsylvanian Pool to include the SW/4 of Section 25, the SE/4 of Section 26, and the NW/4 of Section 36, Township 14 South, Range 34 East. Applicant also seeks an exception to the well location requirements for the High Plains-Permo Pennsylvanian Pool for any well reclassified from the North Morton-Permo Pennsylvanian Pool, which well's location does not satisfy the High Plains-Permo Pennsylvanian Pool Rules requirements.

CASE 8593: (Continued from May 8, 1985, Examiner Hearing)

Application of Corrine B. Grace for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Carlsbad Grace Well No. 1 located 1980 feet from the South line and 660 feet from the East line of Section 36, Township 22 South, Range 26 East, South Carlsbad-Strawn Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8601: Application of Read & Stevens, Inc. for three unorthodox gas well locations, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for three unorthodox gas well locations in the Buffalo Valley-Pennsylvanian Gas Pool at the following locations, all within Township 15 South, Range 27 East:

Langley Federal Com Well No. 4
1570' FNL - 1780' FEL
Section 14, N/2 dedication;

Langley Federal Com Well No. 3
1190' FSL - 2310' FEL
Section 14, S/2 dedication;

Toles Federal Well No. 2
1980' FSL - 990' FWL
Section 24, S/2 dedication.

CASE 8563: (Continued from April 24, 1985, Examiner Hearing)

Application of Cabot Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres and Glorieta formations in the open-hole interval from 4583 feet to 6730 feet in the J. L. Reed Well No. 3 located 1980 feet from the North line and 1650 feet from East line of Section 35, Township 13 South, Range 37 East.

CASE 3602: Application of TXO Production Corp. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Wolfcamp formation underlying the NW/4 of Section 29, Township 22 South, Range 26 East, to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools dedicated on 160-acre spacing, to be dedicated to a well to be drilled at a standard location thereon. Applicant further seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of said Section 29 to form a standard 320-acre gas spacing and proration unit within said vertical limits also to be dedicated to the above-mentioned well at a standard gas well location for a 320-acre gas spacing and proration unit. In the event oil is encountered in any producing horizon from the surface to the base of the Morrow formation, the applicant proposes to dedicate the SW/4 NW/4 of said Section 29, forming a standard 40-acre oil spacing and proration unit also to be dedicated to said well. Also to be considered, in any case, 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8564: (Continued and Readvertised)

Application of the Commissioner of Public Lands for the State of New Mexico for amendment of Division Order No. R-7817, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-7817 to rescind that portion of said Order No. R-7817 which authorized TXO Production Corp. to pool all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Section 2, Township 22 South, Range 27 East.

CASE 8603: Application of Sage Energy Company for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Bough "C" member of the Cisco formation in the perforated interval from 9777 feet to 9795 feet in its Cabot State Well No. 4 located 1980 feet from the North and East lines of Section 32, Township 8 South, Range 36 East.

CASE 8604: Application of HCW Exploration, Inc. for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool, underlying the SE/4 of Section 27, Township 23 South, Range 36 East, forming a 160-acre non-standard gas proration unit 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, designation of applicant as operator the well and a charge for risk involved in drilling said well.

CASE 8545: (Continued from May 8, 1985, Examiner Hearing)

Application of Myco Industries for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the perforated interval from 13,820 feet to 14,200 feet in the Shell Oil Company Big Eddy Unit Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 36, Township 21 South, Range 28 East.

CASE 8605: Application of Doyle Hartman to rescind Division Order No. R-3690, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to rescind Division Order No. R-3690 which authorized the disposal of produced water into the Seven Rivers formation through the Etz Well No. 3 located 330 feet from the South line and 1650 feet from the West line of Section 27, Township 23 South, Range 36 East, Jalmat Gas Pool, in which HCW Exploration, Inc. is the operator.

CASE 8594: (Continued and Readvertised)

Application of Doyle Hartman for compulsory pooling, a non-standard gas proration unit, and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the SE/4 of Section 27, Township 23 South, Range 36 East, forming a 160-acre spacing and proration unit, to be dedicated to a well to be drilled 660 feet from the South line and 330 feet from the East line of said Section 27. Applicant further seeks approval for a 160-acre non-standard Jalmat Gas Pool spacing and proration unit comprising said SE/4 of Section 27 also to be dedicated to the aforementioned well which is an unorthodox gas well location in the Jalmat Gas Pool. 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 3606: Application of Doyle Hartman for simultaneous dedication and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the NW/4 of Section 8, Township 24 South, Range 37 East, forming a previously approved 160-acre non-standard spacing and proration unit in the Jalmat Gas Pool, to be simultaneously dedicated to his existing E. E. Jack Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 8 and his proposed E. E. Jack Well No. 5 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8594: (Continued from May 8, 1985, Examiner Hearing)

Application of Doyle Hartman for compulsory pooling, a non-standard gas proration unit, and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the SE/4 of Section 27, Township 23 South, Range 36 East, forming a 160-acre spacing and proration unit, to be dedicated to a well to be drilled 330 feet from the South and East lines of said Section 27. Applicant further seeks approval for a 160-acre non-standard Jalmat Gas Pool spacing and proration unit comprising said SE/4 of Section 27 also to be dedicated to the aforementioned well which is an unorthodox gas well location in the Jalmat Gas Pool. 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8607: Application of ARCO Oil and Gas Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Ojito Gallup-Dakota Oil Pool to provide for 160-acre spacing or proration units.

CASE 8608: Application of Southland Royalty Company for a non-standard gas spacing and proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas spacing and proration unit comprising the NW/4 of Section 15, Township 29 North, Range 14 West, Basin-Dakota Pool.

CASE 8556: (Continued from May 8, 1985, Examiner Hearing)

Application of Southland Royalty Company for 320-acre spacing, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks 320-acre spacing for the Duffield-Pennsylvanian Gas Pool located in the SW/4 of Section 21, Township 16 South, Range 27 East, which was created prior to June 1, 1964, and therefore is not automatically eligible for 320-acre spacing. In the absence of evidence to the contrary, 320-acre spacing will be established for the subject pool.

CASE 8609: Application of Hondo Drilling Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Union Texas State Com Well No. 1 located 660 feet from the South line and 1980 feet from the West line of Section 17, Township 19 South, Range 29 East, Turkey Track-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8610: Application of Hondo Drilling Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Alscott Federal Well No. 1 located 1630 feet from the North line and 1980 feet from the East line (Unit G) of Section 31, Township 18 South, Range 29 East, North Turkey Track-Cisco Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8611: Application of Hondo Drilling Company for five HARDSHIP GAS WELL CLASSIFICATIONS, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that each of the following described wells in Township 18 South, Range 29 East, North Turkey Track-Morrow Gas Pool, are hardship gas wells which should be granted priority access to pipeline takes in order to avoid waste:

Alscott Federal Well No. 2
660' FSL - 1980' FEL (Unit O)
Section 30

Alscott Federal Well No. 3
660' FSL - 1980' FEL (Unit O)
Section 31

Trigg Jennings Com Well No. 1
660' FSL - 1980' FWL (Unit N)
Section 28

Wright Federal Com Well No. 1
660' FSL - 1980' FWL (Unit N)
Section 29

Wright Federal Com Well No. 2
1980' FSL - 1980' FEL (Unit G)
Section 29

CASE 8533: (Continued from April 24, 1985, Examiner Hearing)

Application of Ike Lovelady, Inc. for HARDSHIP GAS WELL CLASSIFICATION, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Sam H. Snoddy Federal Well No. 1 located 660 feet from the North and East lines (Unit A) of Section 26, Township 20 South, Range 32 East, South Salt Lake-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8576: (Continued from April 24, 1985, Examiner Hearing)

Application of Northwest Pipeline Corporation for HARDSHIP GAS WELL CLASSIFICATION, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its San Juan 29-5 Unit Well No. 89 located 2300 feet from the South line and 1830 feet from the West line (Unit K) of Section 34, Township 29 North, Range 5 West, Basin-Dakota Pool is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8577: (Continued from April 24, 1985, Examiner Hearing)

Application of Northwest Pipeline Corporation for HARDSHIP GAS WELL CLASSIFICATION, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its San Juan 29-5 Unit Well No. 91 located 1140 feet from the North line and 1840 feet from the East line (Unit B) of Section 35, Township 29 North, Range 5 West, Basin-Dakota Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8578: (Continued from April 24, 1985, Examiner Hearing)

Application of Northwest Pipeline Corporation for HARDSHIP GAS WELL CLASSIFICATION, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its San Juan 29-5 Unit Well No. 88 located 2450 feet from the North line and 1850 feet from the East line (Unit G) of Section 34, Township 29 North, Range 5 West, Basin-Dakota Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8579: (Continued from April 24, 1985, Examiner Hearing)

Application of Northwest Pipeline Corporation for HARDSHIP GAS WELL CLASSIFICATION, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its San Juan 29-5 Unit Well No. 90 located 1180 feet from the South line and 1750 feet from the West line (Unit N) of Section 35, Township 29 North, Range 5 West, Basin-Dakota Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8612: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, contracting, and assigning a discovery allowable in Chaves and Eddy Counties, New Mexico:

- (a) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Fusselman production and designated as the Railroad Mountain-Fusselman Gas Pool. The discovery well is Stevens Operating Company, O'Brien 00 #1 located Unit F of Section 33, Township 7 South, Range 29 East, NMPM. Said pool would comprise:
 - TOWNSHIP 7 SOUTH, RANGE 29 EAST, NMPM
 - Section 33: W/2
- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Tamano-Bone Spring Pool. The discovery well is the Harvey E. Yates Co., Mesquite 2 State #1 located in Unit O of Section 2, Township 18 South, Range 31 East, NMPM. Said pool would comprise:
 - TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
 - Section 2: SE/4
- (c) ABOLISH the South Leo-Seven Rivers Queen Grayburg San Andres Pool in Eddy County, New Mexico, and the acreage included therein:
 - TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
 - Section 36: All
 - TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
 - Section 31: NW/4
 - TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
 - Section 1: N/2
- (d) CONTRACT the horizontal limits of the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, by the deletion of the following acreage:
 - TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
 - Section 1: All

DOCKET: COMMISSION HEARING - WEDNESDAY - MAY 29, 1985

CIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 8447: (De Novo)

Application of Chama Petroleum Company to limit the Lea-Pennsylvanian Gas Pool Rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to limit pool rules for the Lea-Pennsylvanian Gas Pool in Township 20 South, Range 34 East, to the pool boundaries only. Upon request of Chama Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

No. 1-85

M E M O R A N D U M

TO: ALL OPERATORS, TRANSPORTERS, SERVICE COMPANIES,
AND ANY OTHER PERSONS INVOLVED IN DEVELOPMENT
AND PRODUCTION OF OIL AND GAS

FROM: R. L. STAMETS, DIRECTOR 

SUBJECT: PROPOSED RULE CHANGES

Attached are a number of possible rule changes which this agency may consider. In general these changes relate to the following:

- (1) Protection of fresh waters (Definitions and Rules 1, 2, 3, 7, 8, 108, and 701).
- (2) Notice prior to staking a well (Rule 102[c]).
- (3) Notice of situations or conditions to the Division (Rules 108, 113, and 116).
- (4) Notice of hearings (Rules 1204 through 1207).
- (5) Minor corrections (Rules 4 and 104J).

These proposals are submitted for public review and comment. Comments should be made in writing to this office not later than June 17, 1985. No hearing will be scheduled on these proposals prior to July, 1985.

May 9, 1985
fd/

PROPOSED RULE ADDITIONS AND AMENDMENTS
MAY 6, 1985

Additional Definitions

FRESH WATER (to be protected) includes all surface waters and all underground waters containing 10,000 parts per million or less of dissolved solids except for which, after notice and hearing, it is found there is no reasonably foreseeable beneficial use which would be impaired by contamination of such waters.

PRODUCED WATER shall mean those waters produced in conjunction with the production of crude oil and/or natural gas and commonly collected at field storage or disposal facilities including: lease tanks, commingled tank batteries, burn pits, LACT units, and community or lease salt water disposal systems and which may be collected at gas processing plants, pipeline drips and other processing or transportation facilities.

B - MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural resources of the State of New Mexico, to prevent waste, [and] to protect correlative rights of all owners of crude oil and natural gas, and to protect fresh waters. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply.

(b) The Division may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The Division, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas, including the related protection of fresh waters. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas and protection of fresh waters before operations have begun.

RULE 3. WASTE PROHIBITED/ GENERAL OPERATING

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of [and-gas-wells] gas, injection, disposal, and storage wells in a manner that will prevent waste of oil and gas, the contamination of fresh waters, or other damage to neighboring properties, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

RULE 4. UNITED STATES GOVERNMENT LEASES

The Division recognizes that all persons drilling on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith. Copies of "Application for Permit to Drill, Deepen or Plug Back," (USGS Form No. 9-331C), "Sundry Notices and Reports on Wells," (USGS Form No. 9-331), and "Well Completion or Recompletion Report and Log," (USGS Form No. 9-330), for wells on U.S. Government land shall be furnished [by] the Division.

RULE 5. CLASSIFYING AND DEFINING POOLS

The Division will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and reclassify wells and name pools accordingly, and will determine the limits of any pools producing crude petroleum oil or natural gas and from time to time redetermine such limits.

RULE 6. FORMS UPON REQUEST

Forms for written notices, request and reports required by the Division will be furnished upon request.

RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The Division may from time to time enter into arrangement with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas and the associated protection of fresh waters.

RULE 8. LINED PITS (New Rule)

Lined pits may be used to contain produced water, sediment oil, tank bottoms, miscellaneous hydrocarbons, or other fluids subject to the jurisdiction of the Division under the Oil and Gas Act only upon prior approval of the Division.

C - DRILLING

RULE 102. NOTICE OF INTENTION TO DRILL

(a) Prior to the commencement of operations, notice shall be delivered to the Division of intention to drill any well for oil or gas or for injection purposes and approval obtained on Form C-101.

(b) No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form C-101).

(c) Prior to staking a well, the operator shall give notice to the land owner and, if different, notice to the tenant or lease.

RULE 104.

J. In computing acreage under H and I above, minor fractions of an acre shall not be counted [by] but $\frac{1}{2}$ acres or more shall count as 1 acre.

RULE 108. DEFECTIVE CASING OR CEMENTING

In any well that appears to have a defective casing program or faultily cemented or corroded casing which will permit or may create underground waste or contamination of fresh waters, the operator shall give immediate notice to the Division and proceed with diligence to use the appropriate method and means to eliminate such hazard. [~~of underground waste.~~] If such hazard of waste or contamination of fresh water cannot be eliminated, the well shall be properly plugged and abandoned.

RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation or injection interval casing or casing seat from shooting, fracturing, or treating a well, the operator shall notify the Division and proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the Division may require the operator to properly plug and abandon the well.

RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS, SPILLS, AND BLOWOUTS

1. Well Blowouts. Notification of well blowouts and/or fires shall be "immediate notification" described below. ("Well blowout" is defined as being loss of control over and subsequent eruption of any drilling or workover well, including the flow of 25 or more barrels of water per day from any formation, or the rupture of the casing, casinghead, or wellhead of any oil or gas well or injection or disposal well, whether active or inactive, accompanied by the sudden emission of fluids, gaseous or liquid, from the well.)

RULE 710. DISPOSITION OF ~~TRANSPORTED~~ PRODUCED WATER

(a) No person, including any transporter, may dispose of ~~such~~ produced water on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies.

Delivery of produced water to approved salt water disposal facilities, secondary recovery or pressure maintenance injection facilities, or to a drillsite for use in drilling fluid will not be construed as constituting a hazard to fresh water supplies provided the produced waters are placed in tanks or other impermeable storage at such facilities.

(b) The supervisor of the appropriate district office of the Division may grant temporary exceptions to paragraph (a) above for emergency situations and for use of produced water in road construction or maintenance or for use of produced waters for other construction purposes upon request and a proper showing by a holder of an approved Form C-133 (Authorization to Move Produced Water).

(c) Vehicular movement or disposition of produced water in any manner contrary to these rules shall be considered cause, after notice and hearing, for cancellation of Form C-133.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be ~~[given by personal service on the person affected or]~~ by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil, or gas, or other property which may be affected is situated.

RULE 1205 CONTENTS OF NOTICE OF HEARING

~~[Such notice]~~ Published notices shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

~~[RULE 1206. PERSONAL SERVICE OF NOTICE]~~

~~Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.]~~

RULE [1207] 1206. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice ~~(or notices)~~ required under Rule 1205 shall be prepared by the Division and ~~[service and]~~ publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1207. ADDITIONAL NOTICE REQUIREMENTS (New Rule Alternative No. 1)

Each applicant for hearing before the Division or Commission shall give additional notice as set forth below:

1. In cases of applications filed for compulsory pooling under Section 70-2-17 NMSA 1978, as amended, or statutory unitization under Section 70-7-1, et. seq. NMSA 1978, as amended: Actual notice shall be given to each known individual owning an uncommitted leasehold interest, an unleased and uncommitted mineral interest, or royalty interest not subject to a pooling or unitization clause in the lands affected by such application which interest must be committed and has not been voluntarily committed to the area proposed to be pooled or unitized. Such individual notice in compulsory pooling or statutory unitization cases shall be by certified mail (return receipt requested).
2. In cases of applications for hearing for approval of unorthodox well locations: Actual notice shall be given to any offset operator in those adjoining spacing/proration units of the same size that is adversely affected by the proposed unorthodox location, or any potash operator in an adjoining proration or spacing unit in the R-111-A area provided the subject well be closer to that potash operator than the closest standard location allows. Such notice shall be given by certified mail (return receipt requested).
3. In the case of applications for the approval of any non-standard proration unit: Actual notice shall be given to all operators owning a leasehold interest in the quarter-quarter section (for 40-acre pools or formations), the quarter section (for 160-acre pools or formations) the half section (for 320-acre pools or formations), or in the section (for 640-acre pools or formations) in which the non-standard unit is located and to each operator on any proration unit, if there

be such, or tract which adjoins or corners such quarter-quarter, quarter, half, or whole section. Such notice shall be by certified mail (return receipt requested).

4. In the case of applications for adoption of, or amendment of, special pool rules: Actual notice shall be given to all operators within the existing, or proposed pool boundaries and those of operators within one (1) mile of such boundaries. Such notice may be provided by regular mail.
5. In the case of applications to amend R-111-A, the Potash-Oil Area and Special Rules, actual notice shall be given to any affected potash operator or oil or gas operator or owner. Such notice shall be provided by certified mail (return receipt requested).
6. In the case of applications for approval of downhole commingling of the product of multiple formations: Actual notice shall be given to all offset operators. Such notice shall be provided by regular mail.
7. In the case of any other application which may diminish or adversely affect royalty interests: Actual notice shall be given to the applicant's royalty interest owners immediately affected. Such notice shall be provided by certified mail (return receipt requested). Any notice required by this rule shall be mailed at least 10 days prior to the date of hearing on the application.

At each hearing, the applicant shall cause to be made a matter of record, either by testimony at the hearing or by an affidavit signed by applicant or its authorized representative, that the notice provisions of this Rule 1207 have been complied with, that applicant has conducted a good-faith diligent effort to find the correct address of all interested persons entitled to receive notice, and that pursuant to Rule 1207, notice has been given at that correct address as provided by rule. In addition, such certificate shall contain the name and address of each interested person to whom such notice was sent and, where proof of receipt is available, a copy of same.

Evidence of failure to provide notice as provided in this rule may, upon a proper showing, be considered cause for reopening the case.

RULE 1207. ADDITIONAL NOTICE REQUIREMENTS (New Rule Alternative No. 2)

Each applicant for hearing before the Division or Commission shall give additional notice to any party expected to be adversely affected by granting of the application, any party whose interest would be pooled to form a spacing or proration unit, and any of applicant's royalty owners immediately affected by the granting of the application.

The notice required by this rule shall be mailed at least 10 days prior to the date of the hearing on the application.

At each hearing, the applicant shall cause to be made a matter of record, either by testimony or by an affidavit signed by the applicant or its authorized representative, the method used in determining the parties who received the additional notice required by this rule, the names and addresses of all such parties and a statement or proof that a good faith effort has been made to notify such parties of the purpose of the application and the date and time of the hearing.

Evidence of failure to provide notice as provided in this rule may, upon a proper showing, be considered cause for reopening the case.



Southland Royalty Company

March 25, 1985

Case 8608

Mr. Joe J. Ramey
New Mexico Department of Energy and Minerals
Oil and Gas Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

A copy of this request is being submitted to all offset operators by certified mail with a request that they furnish your Santa Fe Office with a waiver of objection.

If further information is required, please advise.

Sincerely,

SOUTHLAND ROYALTY COMPANY

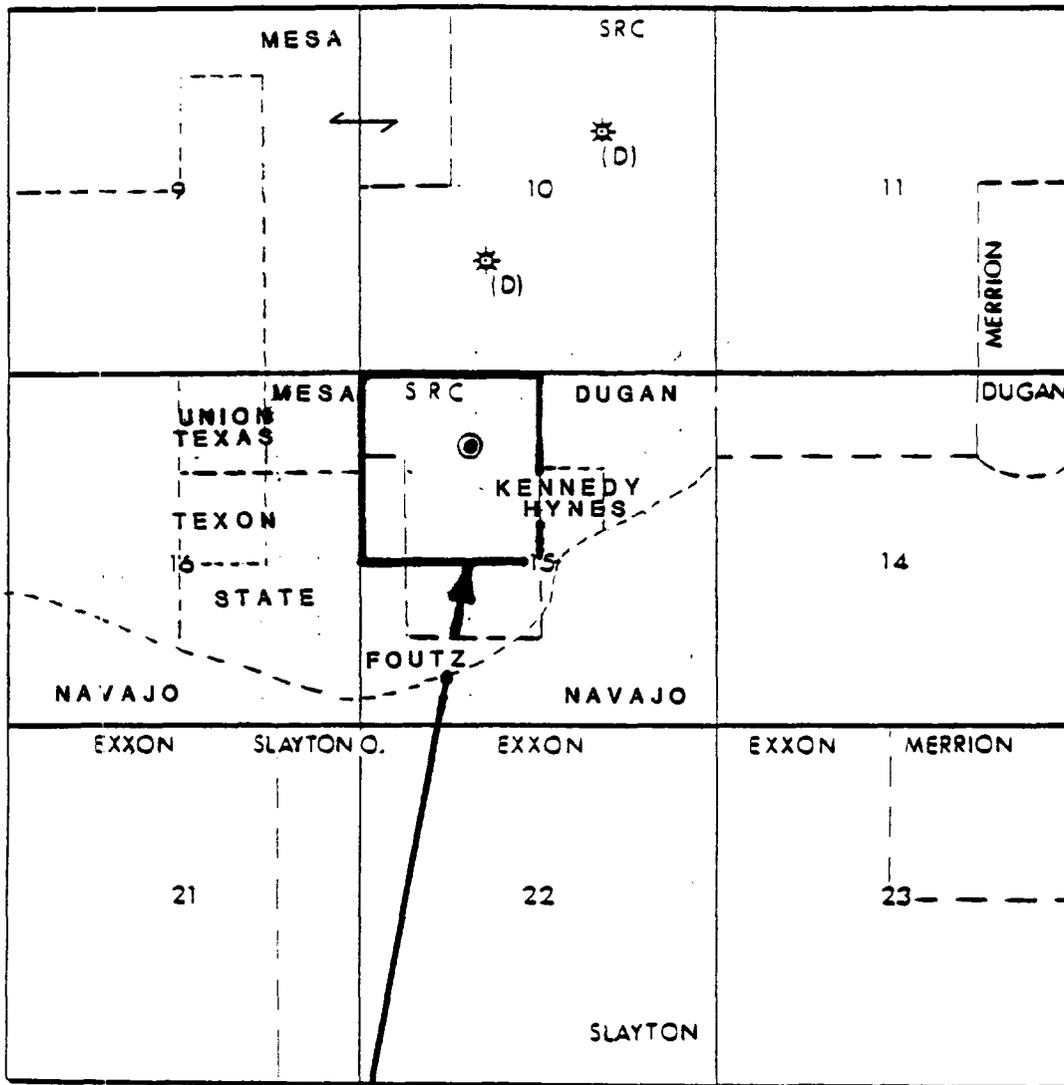
David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

R 14 W



T 29 N

PROPOSED
NON-STANDARD
PRORATION UNIT



Southland Royalty Company
FARMINGTON DISTRICT
FARMINGTON, NEW MEXICO

NON STANDARD
PRORATION UNIT PLAT

SRC
Harper Valley #1
NW 1/4
SEC. 15 - T 29N - R 14W
SAN JUAN COUNTY NEW MEX.

BY: BLANDFORD 1" = 3000' MARCH 1985

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Union Texas Petroleum Corporation
P. O. Box 1290
Farmington, New Mexico 87499

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY


David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Union Texas Petroleum Corporation hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their **HARPER VALLEY #1** well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Texon Energy Corporation
1212 Main Street, Suite 1400
Houston, Texas 77002

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Texon Energy Corporation hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their **HARPER VALLEY #1** well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Mesa Petroleum Company
One Mesa Square, Box 2009
Amarillo, Texas 79189

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Mesa Petroleum Company hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their HARPER VALLEY #1 well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Dugan Production Corporation
P. O. Box 208
Farmington, New Mexico 87499

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Dugan Production Corporation hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their **HARPER VALLEY #1** well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Bureau of Indian Affairs
Eastern Navajo Agency
Branch of Real Property Management
P.O. Box 328
Crownpoint, New Mexico 87313

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Bureau of Indian Affairs hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their **HARPER VALLEY #1** well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Mr. Walter Kennedy
P. O. Box 287
Farmington, New Mexico 87499

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Mr. Walter Kennedy hereby waives objection to Southland Royalty Company's application for a non-standard proration for their HARPER VALLEY #1 well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Mr. Thomas J. Hynes
P. O. Box 287
Farmington, New Mexico 87499

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Mr. Thomas J. Hynes hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their **HARPER VALLEY #1** well as proposed above.

Date: _____

Signed: _____

CERTIFIED MAIL

March 25, 1985



Southland Royalty Company

Foutz & Foutz
P. O. Box 841
Kirtland, New Mexico 87417

Gentlemen:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

We request that you furnish the NMOCD, P.O. Box 2088, Santa Fe, NM 87501 with a waiver of objection as soon as possible.

Sincerely,

SOUTHLAND ROYALTY COMPANY

David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

W A I V E R

Foutz & Foutz hereby waives objection to Southland Royalty Company's application for a non-standard proration unit for their **HARPER VALLEY #1** well as proposed above.

Date: _____

Signed: _____



Southland Royalty Company

March 25, 1985

Mr. Joe D. Ramey
New Mexico Department of Energy and Minerals
Oil and Gas Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

A copy of this request is being submitted to all offset operators by certified mail with a request that they furnish your Santa Fe Office with a waiver of objection.

If further information is required, please advise.

Sincerely,

SOUTHLAND ROYALTY COMPANY

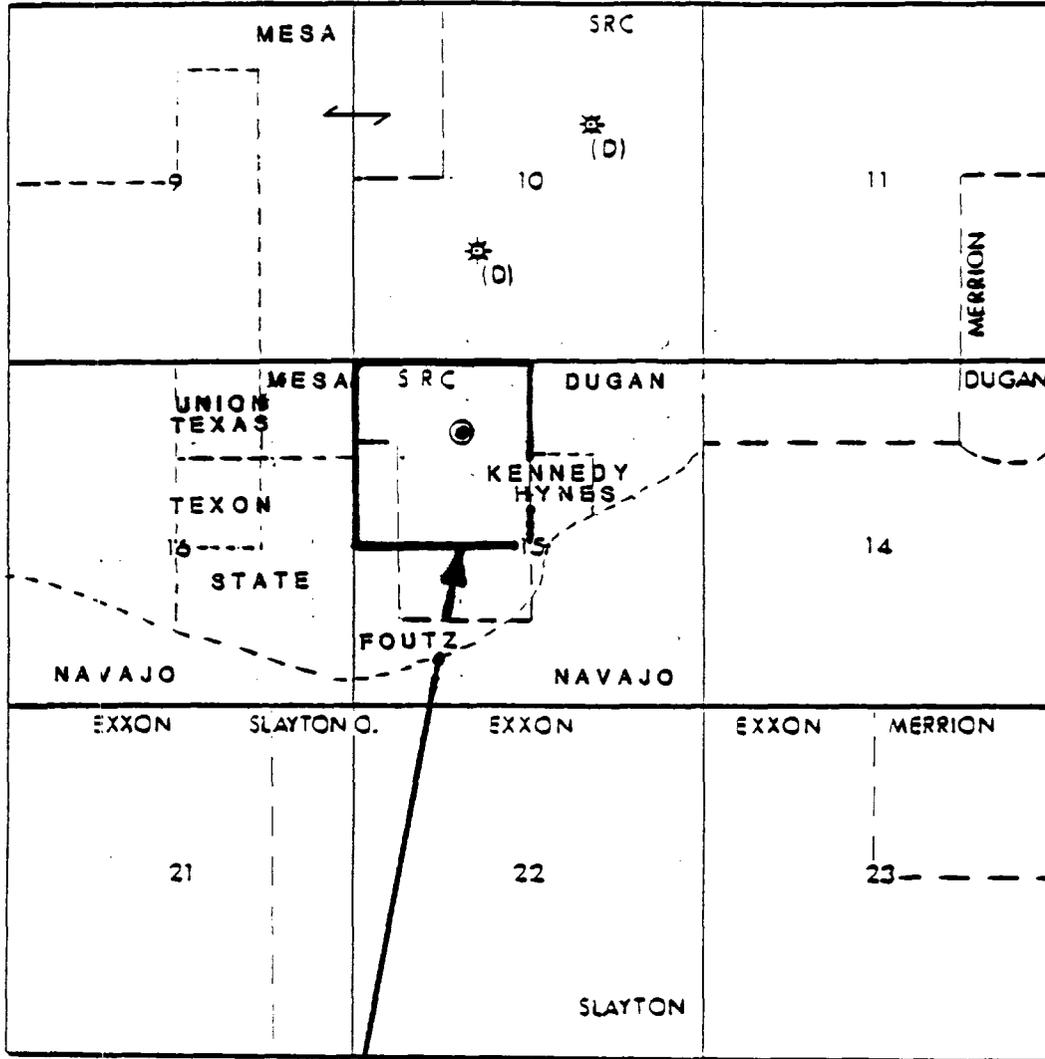
David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

R 14 W



T 29 N

PROPOSED
NON-STANDARD
PRORATION UNIT



Southland Royalty Company
FARMINGTON DISTRICT
FARMINGTON, NEW MEXICO

NON STANDARD
PRORATION UNIT PLAT

SRC
Harper Valley #1
NW/4
SEC. 15 - T 29N - R 14W
SAN JUAN COUNTY NEW MEX.

BY: BLANDFORD 1" = 3000' MARCH 1985



Southland Royalty Company

March 25, 1985

Mr. Joe D. Ramey
New Mexico Department of Energy and Minerals
Oil and Gas Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

A copy of this request is being submitted to all offset operators by certified mail with a request that they furnish your Santa Fe Office with a waiver of objection.

If further information is required, please advise.

Sincerely,

SOUTHLAND ROYALTY COMPANY

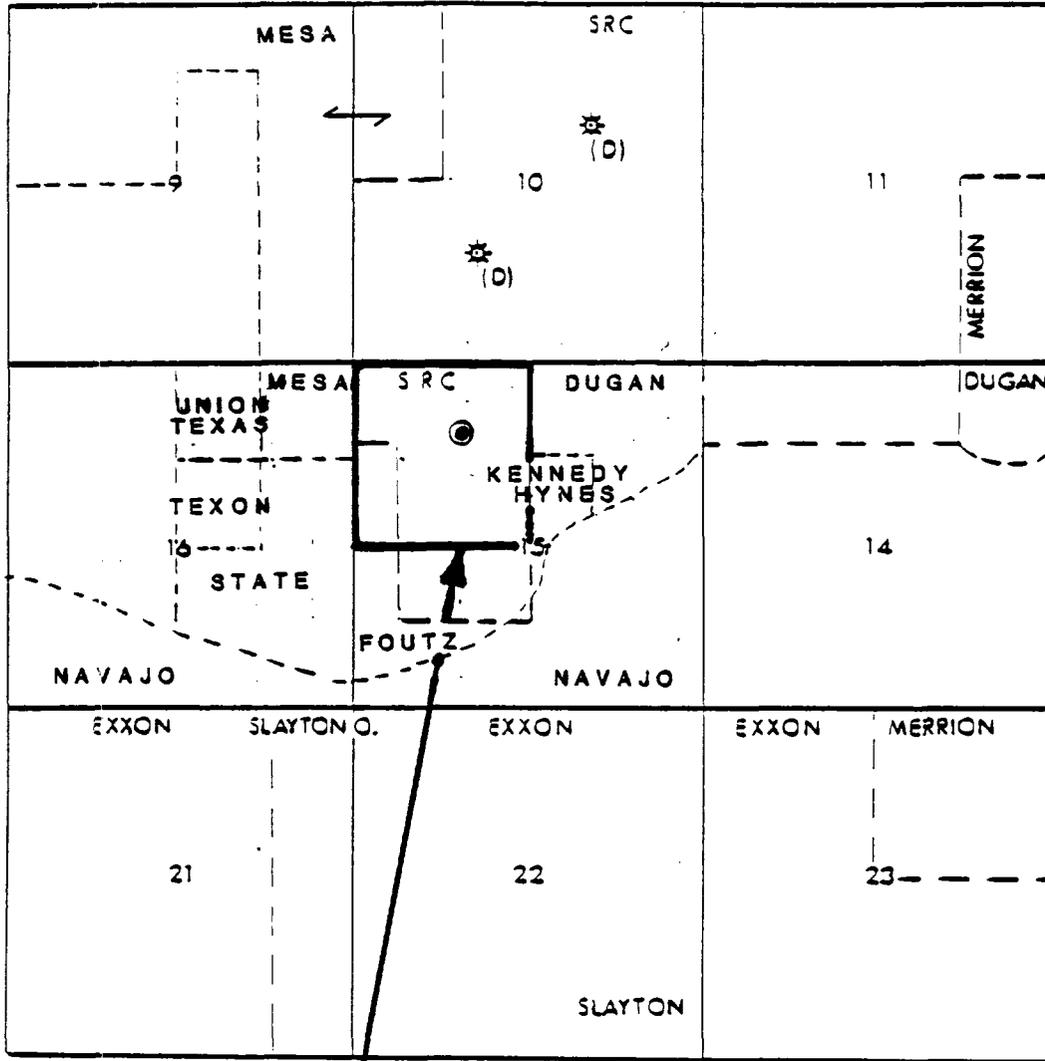
David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

R 14 W



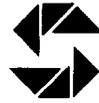
T 29 N

PROPOSED
NON-STANDARD
PRORATION UNIT


Southland Royalty Company
 FARMINGTON DISTRICT
FARMINGTON, NEW MEXICO

NON STANDARD
 PRORATION UNIT PLAT
 SRC
 Harper Valley #1
 NW 1/4
 SEC. 15 - T 29N - R 14W
 SAN JUAN COUNTY NEW MEX.

BY: BLANDFORD 1" = 3000' MARCH 1985



Southland Royalty Company

March 25, 1985

Mr. Joe D. Ramey
New Mexico Department of Energy and Minerals
Oil and Gas Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Southland Royalty Company hereby requests approval of a non-standard proration unit for the Harper Valley #1 well, a proposed Basin Dakota test. The well will be located in the SW/NE/NW of Section 15, T29N, R14W, San Juan County, New Mexico.

The proposed 160 acre non-standard proration unit will consist of the NW/4 of Section 15, T29N, R14W and is based on geologic interpretation. The only Dakota offset to the proposed non-standard proration unit is the SRC-McWhorter-Duncan #1, located in the NE/SW, Section 10, T29N, R14W.

Southland Royalty Company needs to have this matter taken care of as soon as possible, as our lease #102948 expires July 1, 1985, and we need to be drilling by that date.

A copy of this request is being submitted to all offset operators by certified mail with a request that they furnish your Santa Fe Office with a waiver of objection.

If further information is required, please advise.

Sincerely,

SOUTHLAND ROYALTY COMPANY

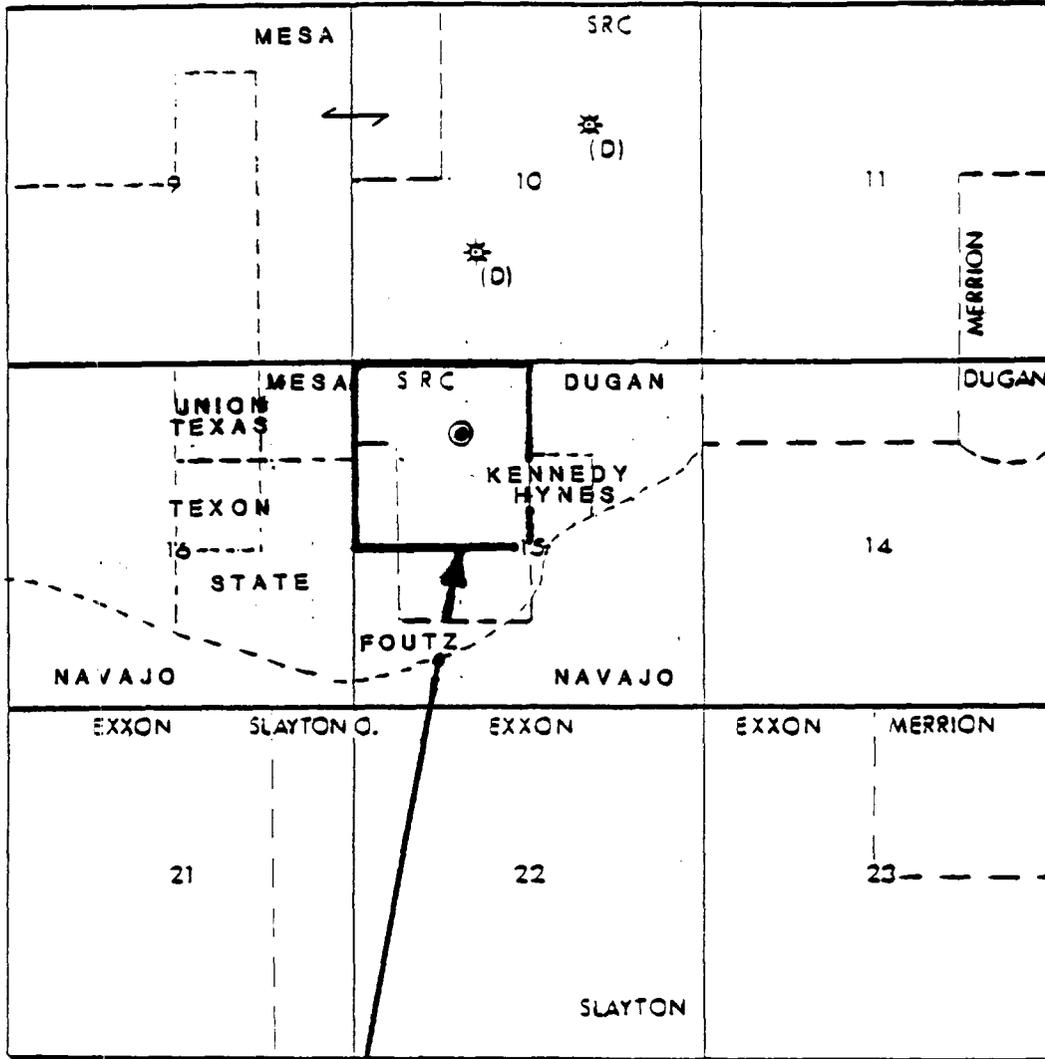
David M. Blandford
Petroleum Engineer

DMB/eg

Enclosures

XC: Mr. Frank Chavez-NMOCD-Aztec, NM

R 14 W



T 29 N

PROPOSED
NON-STANDARD
PRORATION UNIT



Southland Royalty Company
FARMINGTON DISTRICT
FARMINGTON NEW MEXICO

NON STANDARD
PRORATION UNIT PLAT

SRC
Harper Valley #1
NW/4
SEC. 15 - T 29N - R 14W
SAN JUAN COUNTY NEW MEX.

BY: BLANDFORD 1" = 3000' MARCH 1985



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

OIL CONSERVATION DIVISION
BOX 2088
SANTA FE, NEW MEXICO 87501

DATE 3/27/85

RE: Proposed MC _____
Proposed DHC _____
Proposed NSL _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____

N/S/P

Gentlemen:

I have examined the application dated 3/27/85
for the Southland Royalty Co. Harper Valley #1 C-10-291-1466
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve with acreage factor of .50

Yours truly,

Jim D. [Signature]

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

*M.S.
(Rank)*

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

CASE NO. 8608

Order No. R-7961

Reel

APPLICATION OF SOUTHLAND ROYALTY COMPANY
FOR A NON-STANDARD ^{GAS} PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on May 22, 1985 and
on June 5, 1985, ~~1984~~, at Santa Fe, New Mexico, before Examiners
Michael E. Stogner and Gilbert P. Quintana, respectively.

NOW, on this _____ day of June, 198⁵, the
Division Director, having considered the testimony, the record,

and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(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, Southland Royalty Company, seeks approval of a 160-acre non-standard gas proration unit comprising the NW/4 of Section 15, Township 29 North, Range 14 West, NMPM, Basin Dakota Pool, San Juan County, New Mexico, to be dedicated to ~~the~~ a well to be drilled at a standard location thereon.
~~located in the NW/4 of said Section 15~~

~~(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the _____ Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.~~

~~(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the _____ Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from~~

- (3) Dugan Production Corporation, an offset ~~operator~~ operator to the east, and Eney C. Arnold, et al, a mineral interest owner of acreage within and offsetting to the south of the proposed non-standard proration unit, appeared at the May 22, 1985 hearing and objected to the ^{forming of proposed} non-standard proration unit in said Section 15.
- (4) The applicant ~~seeks~~ seeks the establishment of its proposed non-standard gas spacing and proration unit based upon interpretation of geological data by which they ^{attempted to} project that the Dakota Formation has developable gas reserves only under the NW/4 of said Section 15.
- (5) Based upon the geological evidence presented at the May 22, 1985 hearing, there is insufficient geological control ~~in~~ in this area and the applicant failed to prove the necessity for or the propriety of the proposed non-standard proration unit.
- (6) The application ~~should~~ ~~should~~ should therefore be denied.

~~the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.~~

IT IS THEREFORE ORDERED THAT:

(1) *The application of Southland Royalty Company for a*
~~160~~ 160 -acre non-standard gas proration unit
in the Basin Dakota Pool comprising the
nw/4 of Section 15, Township
29 North, Range 14 West, NMPM, San Juan
County, New Mexico, is hereby ~~established and dedicated to its~~
denied. ~~and no further action~~
~~shall be taken.~~

(2) ~~the~~ 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

RLS
JOE D. RAMEY,
Director

S E A L