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Telephone 982-4285
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February 9, 1988

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

RECEIVED
FEB 9 1988
OIL CONSERVATION DIVISION

Case 9326

Re: Application of Sun Exploration and
Production Company for Compulsory Pooling
for the Wildfire Well, Gavilan Mancos
Oil Pool

Dear Mr. LeMay:

On behalf of Sun Exploration and Production Company, please find enclosed our application for compulsory pooling for the Wildfire Well #1 in Section 26, T26N, R2W, Rio Arriba County, New Mexico. This case involves the same subject matter as the Hixon Case 9295 set for hearing on February 17, 1988. We would request that the Hixon case be continued and consolidated with this case.

The following is a suggested advertisement for this case:

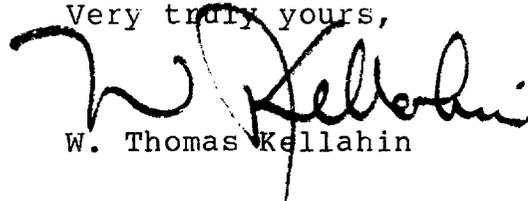
Application of Sun Exploration and Production Company for an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying a certain 640-acre tract of land in Rio Arriba County, New Mexico. Applicant in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 26, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit in said pool. Said unit is to be dedicated to the Sun Exploration and Production Company Wildfire Well No. 1 in Unit N of said Section 26 which is presently completed in and producing from the Gavilan-Mancos Oil Pool. Also to be considered will be the method for cost allocation and participation thereof as well as actual operating costs and charges for supervision. Applicant further requests that Sun Exploration and Production Company remain as operator of

KELLAHIN, KELLAHIN & AUBREY

Mr. William J. LeMay
February 9, 1988
Page 2

the well and that the effective date of any order issued in the case be retroactive to June 8, 1987. Said well is located approximately 4.5 miles east-northeast of Ojitos Post Office.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Ken Mueller
Sun Exploration and Production Company
Cherry Creek Place
3151 South Vaughn Way
Aurora, Colorado 80014

Allen Tubb, Esq.
Sun Exploration & Production Company
Four North Park East
Dallas, Texas 75231

"Certified Return-Receipt Requested"

All Parties Listed in Application

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

RECEIVED

FEB 9 1978

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF SUN EXPLORATION AND PRODUCTION
COMPANY FOR COMPULSORY
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 9326

A P P L I C A T I O N

Comes now SUN EXPLORATION AND PRODUCTION COMPANY, by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 70-2-17(c) NMSA-1978 applies to the New Mexico Oil Conservation Division for an order pooling all mineral interest in the Gavilan Mancos Oil Pool underlying Section 26, T26N, R2W, NMPM, Rio Arriba County, New Mexico to form a 640-acre oil spacing and proration unit in said pool to be dedicated to the Sun Exploration and Production Company Wildfire Well No. 1 located in Unit N of said Section 26 which is presently being completed for production from the Gavilan Mancos Oil Pool and dedicated to a previously approved 320 acre non-standard oil spacing and proration unit as promulgated by Rule 2(a) of Division Order R-7407-E, and in support thereof would show:

1. Applicant is the operator of the Wildfire Well No. 1 located in Unit N of Section 26, T26N, R2W, NMPM, Rio Arriba County, New Mexico.

2. Applicant has drilled its Wildfire Well in Section 26 and is in the process of completing and testing the subject well.

3. Applicant seeks to dedicate all of Section 26, being 640 acres, to the well with respect to production from the Gavilan Mancos Oil Pool.

4. The New Mexico Oil Conservation Commission issued Order R-7407-E effective June 8, 1987 provides for 640 acre spacing and proration units for the Gavilan Mancos Oil Pool.

5. Hixon Development Company is a working interest owner in the E/2 of said Section 26 and has filed an application with the Oil Conservation Division which is docketed as Division Case 9295 seeking the approval of a 320-acre non-standard oil proration and spacing unit consisting of the E/2 of said Section 26.

6. Sun is seeking the voluntary agreement from all mineral interest owners in Section 26 for the participation in the Wildfire Well and the formation of a 640 acre unit for the subject well but has been unable to reach an agreement with all parties on the method for participation in the Wildfire Well.

7. Applicant seeks to have this matter heard at the Examiner's hearing now scheduled for March 2, 1987 and further seeks that the Hixon Case 9295 now set for February 17, 1988 be continued and consolidated for hearing on the same docket with the Sun application.

8. That the parties listed in Exhibit A attached hereto have been provided with a copy of this application as notification of the application and request for hearing pursuant to Division notice rules.

9. The pooling of all the Gavilan Mancos Oil interest underlying Section 26 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that this application be set for hearing before the duly appointed Division examiner on March 2, 1988 and that after hearing the Division enter its order pooling the mineral interest described herein. Applicant further seeks that it be named operator of the well, that the order make provisions for applicant to recover reasonable compensation for the investment made on behalf of the mineral owners in Section 26, and that the effective date of the allocation of production be June 8, 1987, and that if after the election period expires, any party who has failed to pay its fair share of the participation costs

be assessed a risk factor in the amount of 200% and for such other and further relief as may be proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive style with a large initial "W".

By W. Thomas Kellahin, Esq.
P. O. Box 2265
Santa Fe, New Mexico 87504

Attorneys for Sun
Exploration and Production
Company

EXHIBIT "A"

Hixon Development Company
Attn: Mr. Aldrich L. Kuchera
Box 2810
Farmington, New Mexico 87401

Dugan Production Corporation
Attn: Mr. John Roe
P. O. Box 208
Farmingotn, New Mexico 87401