

State of New Mexico
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13793

Objection to Order R-11992:

My first objection is that the hearing to voice an objection is held in Santa Fe. The land is located in San Juan County, the majority of landowners live in San Juan County and the hearing should be held in San Juan County.

My second objection is to the choices offered in regard to Lance Oil & Gas Company letter of August 8, 2006.

**Reference: Fruitland Coal Well Proposal
Township 29 North, Range 24 West, NMPM
Section 18, W/2
San Juan County, New Mexico**

- 1. Enter into an oil and gas lease for five years.**
- 2. Participate as a "working interest" owner.**
- 3. Sell your mineral interest to Lance Oil & Gas Company, Inc. for \$100.00.**
- 4. Pooling statutes for the State of New Mexico provide authorization for the State of "compulsory pool" your interest in the proposed wells. These statutes provide for "any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well."**

Item 10 of the Order of the Oil Conversation Commission, Mr. Stogner pointed out that the NM Oil & Gas Act (NMSA 1978 Section 70-2-17 as amended) provides that the risk charge shall not exceed 200% but may be less and indeed could be zero, 0! So the 200% risk charge is solely for the profit of the oil company without consideration for the property owner.

The third objection is that the property owners were not represented in Case #13069, Order #R-11992. The Order was formulated by industry representatives of the NM Oil & Gas Association and the Independent Petroleum Association of NM, **but no property owners.**

The fourth objection is that as the property owner, I have not been offered a choice that is not in favor of the oil company. There is absolutely no consideration for the property owner. I feel that the state is negligent in protecting the property owner.

My property, along with the neighboring property, approximately one acre total, was included in a previous lease which netted something in the neighborhood of \$276.00 over a fourteen year period. No amount of money has been received in the past eleven years, even though there was one well located within a few feet of said property, another within a quarter of a mile and another one less than one-half mile.

Where are the checks and balances? Who audits the production and expense reports? How much did the oil company profit? It had to be considerable or they would not have kept the well in operation all of these years. Over fourteen years of royalties and the eleven years of receiving nothing, I think the oil companies have already taken enough.

After speaking with other landowners whose properties have been drilled on, the land has been left contaminated. The oil company did not clean it up and the State has not enforced cleaning it up. Who is going to pay for the clean up? The property owner or the taxpayers? – again??? !!

I feel that the state has committed fraud in assisting the oil companies in taking private citizen's rights away by mandating compulsory pooling, and giving the rights and profits to the oil companies.

I am the legal owner to this property and the mineral rights. I pay the taxes and the liability insurance. The proposed lease of \$50.00 and the selling of the mineral rights for \$100.00 is absurd.

I have no desire to drill and prefer that I and my minerals rights be left alone. If I entered into another type of lease, it would be for my benefit, not the lessee. If I leased you my vehicle, I would not purchase the fuel and tires for you! I certainly have no funds to share any cost that may be incurred by "compulsory pooling" and their wish to drill. If Lance Oil & Gas chooses to drill, this should be at their expense. They are already getting my mineral rights without consent or payment.

I am of the opinion that mineral rights are valuable. My question, is, at this point, valuable to whom? With compulsory pooling, my minerals will be gone. If I consent to lease or sell the mineral rights, then my surface property value is gone, because I would then have no rights to protect it, since mineral rights take precedence over any and everything. The property owners get shafted again.



Mabel Garcia
PO Box 3175
Kirtland, NM 87417

cc: Kellahin & Kellahin
Attorney at Law
505-982-2047

FROM :

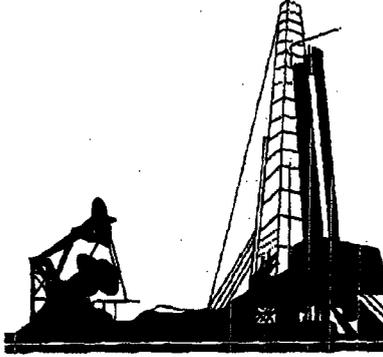
FAX NO. :

Oct. 04 2006 06:36PM P1

SEP-25-2006 MON 02:42 PM

FAX NO.

P. 01



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505)476-3462 (Fax)

PLEASE DELIVER THIS FAX:

~~TO:~~ FROM Mabel Garcia

FROM: 10 Florene Davidson

DATE: 10/04/05
9/25/06

PAGES: 7
4 (including cover)

SUBJECT: _____

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE NUMBER ABOVE.

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Township 29 North, Range 24 West, NMPM
Section 18, W/2
San Juan County, New Mexico

1. Enter into an oil and gas lease for five years.
2. Participate as a "working interest" owner.
3. Sell your mineral interest to Lance Oil & Gas Company, Inc. for \$118.00.
4. Pooling statutes for the State of New Mexico provide authorization for the State of "compulsory pool" your interest in the proposed wells. These statutes provide for "any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well."

JD *copy 106*

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My property, along with the neighboring property, approximately one acre total, was included in a previous lease which netted something in the neighborhood of \$276.00 over a fourteen year period. No amount of money has been received in the past eleven years, even though there was one well located within a few feet of said property, another within a quarter of a mile and another one less than one-half mile.

Where are the checks and balances? Who audits the production and expense reports? How much did the oil company profit? It had to be considerable or they would not have kept the wells in operation all of these years. Over fourteen years of royalties and the eleven years of receiving nothing, I think the oil companies have already taken enough.

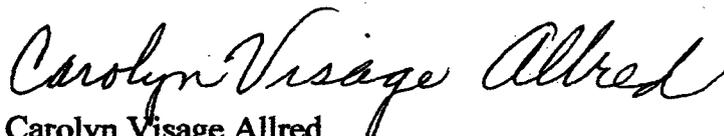
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I am the legal owner to this property and the mineral rights. I pay the taxes and the liability insurance. The proposed lease of \$59.00 and the selling of the mineral rights for \$118.00 is absurd.

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Carolyn Visage Allred
PO Box 553
Kirtland, NM 87417

cc: Kellahin & Kellahin
Attorney at Law
505-982-2047

DOCKET: EXAMINER HEARING - THURSDAY – OCTOBER 26, 2006**8:15 A.M. - 1220 South St. Francis****Santa Fe, New Mexico**

Docket Nos. 36-06 and 37-06 are tentatively set for November 9, 2006 and November 30, 2006. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 1211.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant's request. The following Cases will be heard by an Examiner.

CASE NO. 13793: Continued from the October 12, 2006 Examiner Hearing.

Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Basin Fruitland Coal-Gas Pool underlying the W/2 of Section 18, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool. This unit is to be dedicated to its KLOG "18" Well No. 2 to be drilled at a standard gas well location in the SW/4 NW/4 (Unit E) of this section for production from the Basin Fruitland Coal Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 1/2 mile Southeast from the center of Kirkland, New Mexico. In the absence of objection, this matter will be taken under advisement.

CASE NO. 13794: Continued from the October 12, 2006 Examiner Hearing.

Application of Peoples Energy Production – Texas L.P. for an unorthodox well location and an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to simultaneously produce the following three Mesaverde wells located in the same quarter section (SE/4) on a standard 322.24 spacing and proration unit comprised of the E/2 of Section 26, Township 32 North, Range 9 West, NMPM:

- A. The Gardner Well No. 5A (API No. 30-045-30280) drilled as a vertical well at a location 787 feet from the South line and 1625 feet from the East line (Unit O);
- B. The Gardner Well No. 12 (API No. 30-045-33630) directionally drilled from a surface location 700 feet from the South line and 1665 feet from the East line of Section 26 to an unorthodox bottomhole location 2024 feet from the South line and 2453 feet from the East line (Unit J); and
- C. The Gardner Well No. 14 (API No. 30-045-33631) directionally drilled from a surface location 795 feet from the South line and 1600 feet from the East line of Section 26 to a bottomhole location 2300 feet from the South line and 774 feet from the East line (Unit I) of the Section 26.

Applicant also seeks approval of the unorthodox bottomhole location of the Gardner Well No. 12.

Said wells are located approximately 18 miles northeast of Aztec, New Mexico.

CASE NO: 13797: Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in Section 22, Township 11 South, Range 31 East, NMPM, and in the following manner: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to the Manry-Elliott Well No. 2, to be drilled at an orthodox location in the SE/4 NE/4 Section 22. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 6 miles west-southwest of Caprock, New Mexico. IN THE ABSENCE OF OBJECTION THIS MATTER BE TAKEN UNDER ADVISEMENT

CASE NO. 13798: Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 27, Township 22 South, Range 26 East, NMPM, and in the following manner: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Southeast Carlsbad-Wolfcamp Gas Pool, Undesignated Northeast Sheep Draw-Strawn Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, and Happy Valley-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit