

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

January 25, 1997

**HAND DELIVERED**

William F. Carr, Esq.  
P. O. Box 2208  
Santa Fe, New Mexico 87501

**Re: NOTICE OF OBJECTION**  
*Yates Petroleum Corporation*  
*for a Non-Standard Proration and Spacing Unit*  
*Field APK State Well No. 1*  
*Lots 10 & 15 Section 2, T16S, R35E, NMPM*  
*West Lovington Strawn Pool (Lea County)*

Dear Mr. Carr:

Yesterday afternoon, I discussed by telephone with you and Mr. Michael E. Stogner of the Division. Amerind Oil Company's objection to an effort by Yates Petroleum Corporation to form a non-standard oil proration and spacing unit ("NSP") consisting of Lots 10 and 15 in Irregular Section 2, T16S, R35E, NMPM, West Lovington Strawn Oil Pool, Lea County, New Mexico. See plat attached. As you can see from the plat, Amerind/Shearn control Lots 7 and 9, Yates controls Lots 8 and 10 and UMC Petroleum controls Lots 15 and 16.

By way of background, on September 3, 1996, Yates sought approval of the Division to form an NSP by consolidating Lot 10 with Lot 11 in Irregular Section 2. Amerind objected to that request and by letter dated September 25, 1996, the Division denied Yates' request. See attached Division letter.

On January 13, 1997, I filed two compulsory pooling cases for Amerind, one seeking to pool Lots 8 and 9 together and the other to pool Lots 7 and 10 together. These cases are currently pending hearing on February 6, 1997. See copies enclosed.

William F. Carr, Esq.  
January 25, 1997  
Page 2.

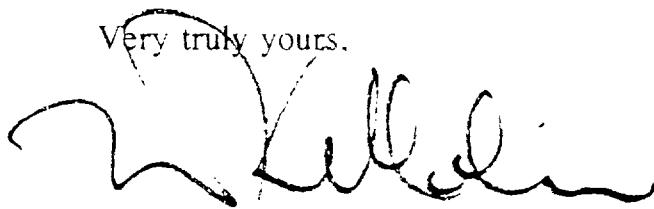
On Thursday, Mr. Bob Bullock and Robert Leibrock had a telephone conversation in which Mr. Bullock advised Mr. Leibrock that Yates had obtained approval to consolidated Lots 10 and 15 together. Mr. Stogner has not been able to locate any application by Yates to the Division to allow this consolidation. However, the implication is that Yates had defeated Mr. Leibrock's pooling application to pool Lots 7 and 10. The problem with Mr. Bullock's position is that Yates needs the Division's approval for a NSP and has not yet obtained it.

It is obvious that Yates' request to consolidated Lots 10 and 15, if approve, will exclude Amerind's Lot 7 from being included in any spacing unit in this pool.

I am most troubled by Yates ignoring the Division's recent decision of September 25, 1996, and trying to consolidate Lot 10 with Lot 15 without the Division's approval when Yates knew that such a consolidation would require a special exception from the Division. I am also troubled that Yates' request would leave Amerind Lot 7 with no possible way of ever being included in an 80-acre oil spacing unit for this pool.

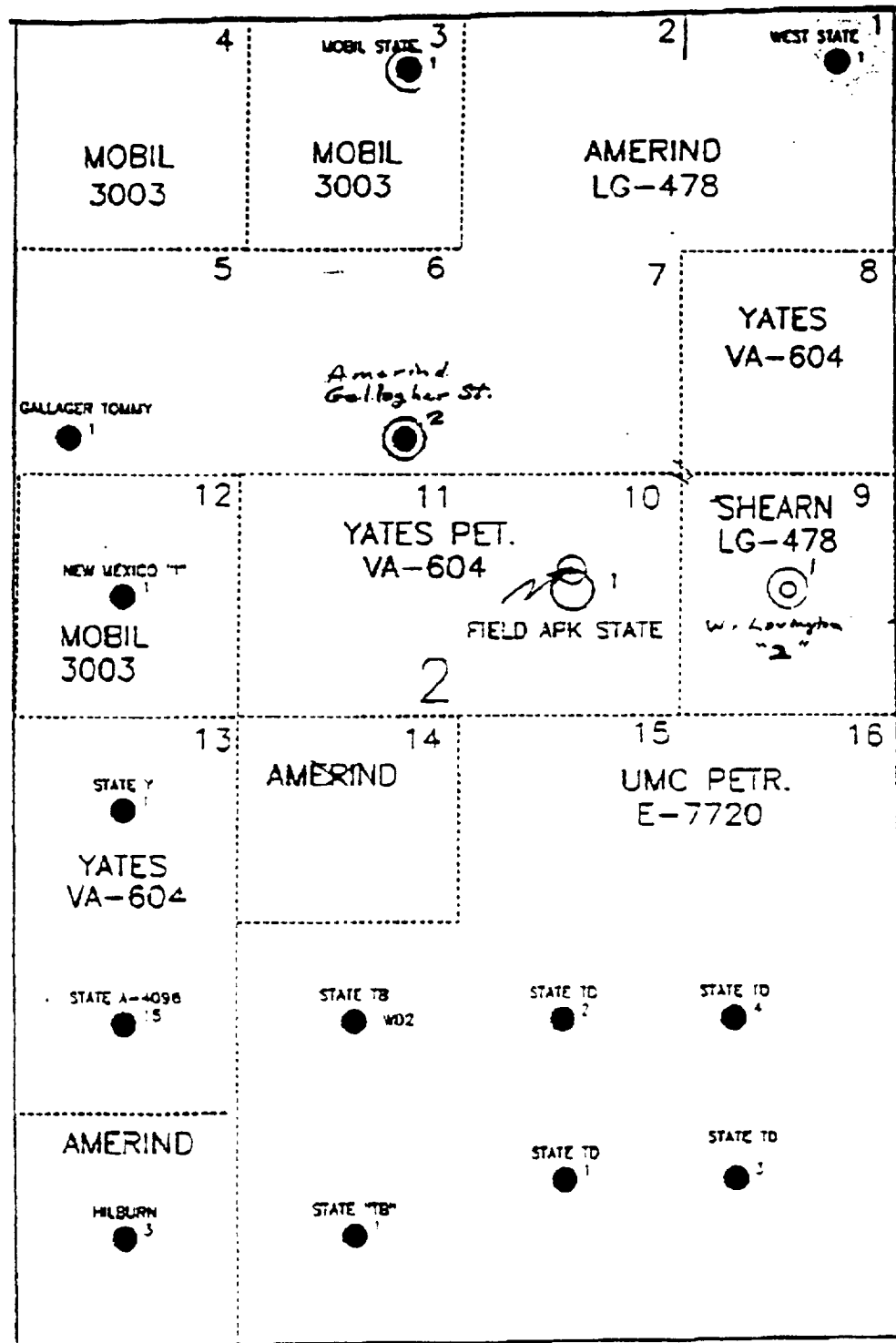
Accordingly, Amerind hereby objects to Yates' attempt to form an NSP with Lots 10 and 15 and demands that this matter be set for a Division hearing.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

cfx: Michael E. Stogner (OCD)  
cfx: Robert Leibrock (Amerind)



Yates Petroleum Corporation		
FIELD APK STATE /1		
SEC. 2, 1185-R254		
1890' FEL 3500' FINE LEA CO., NM		
UNIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z	UNIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z	UNIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z
UNIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z	UNIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z	UNIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

September 25, 1996

Michael Shearn Oil Properties  
c/o Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

Attention: W. Thomas Kellahin

*RE: Administrative application of Yates Petroleum Corporation ("Yates") for a non-standard 80-acre oil spacing and proration unit within the Undesignated West Lovington-Strawn Pool to comprise Lots 10 and 11 of Irregular Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.*

Dear Mr. Kellahin:

Reference is made to your letter dated September 16, 1996 objecting to the subject Yates application. Please refer to my letter dated September 9, 1996 denying their request for administrative review. To date I know of no further action taken by Yates in this matter.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185 or through the e-mail at:

**"MIKSTOGNER@EMNRDSF.STATE.NM.US."**

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe  
William F. Carr - Santa Fe  
Yates Petroleum Corporation - Artesia

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January 13, 1997

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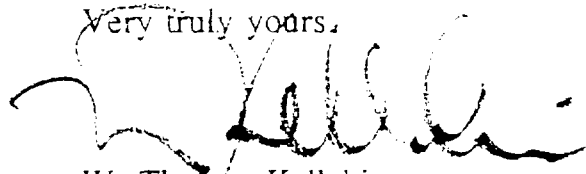
Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**Re: State "AY" Com Well No. 1  
Application of Amerind Oil Company, Ltd.  
for Compulsory Pooling  
Lea County, New Mexico**

Dear Mr. LeMay:

On behalf of Amerind Oil Company, Ltd., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for February 6, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Amerind Oil Company, Ltd.  
Attn: Robert C. Leibrock

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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

January 15, 1997

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE  
OF THE HEARING OF THE FOLLOWING NEW MEXICO  
OIL CONSERVATION DIVISION CASE:

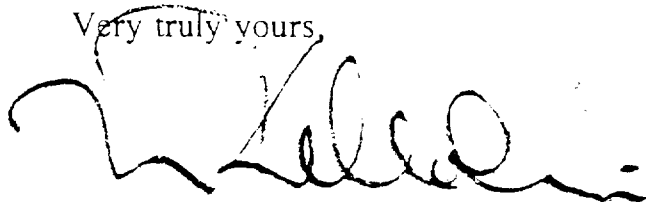
*Re: Application of Amerind Oil Company, Ltd.  
for Compulsory Pooling, Lea County, New Mexico*

On behalf of Amerind Oil Company, Ltd., please find enclosed our application for an compulsory pooling for its State "AY" Com Well No. 1 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for February 6, 1997. The hearing will be held at the Division hearing room located in Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, January 31, 1997, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED  
to all parties listed in application

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

IN THE MATTER OF THE APPLICATION  
OF AMERIND OIL COMPANY, LTD.  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

CASE NO. \_\_\_\_\_

A P P L I C A T I O N

Comes now AMERIND OIL COMPANY, Ltd. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 8 and 9 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lovington Strawn Pool. Said unit is to be dedicated to its State "AY" Com Well No. 1 to be drilled and completed at a standard well location in Lot 9 of said Section 2. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Amerind Oil Company, Ltd. ("Amerind") states:

1. Amerind has control of 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 9 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

2. Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc. ("Yates Group") has control of 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 8 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

3. The subject tract is located within one-mile of the current boundaries of the West Lovington-Strawn Pool.

4. The subject well is to be drilled at a standard oil well location in Lot 9 of Section 2 to test any and all formations in the pooled interval from the surface to the base of the Strawn formation and to be dedicated to a standard 80-acre oil proration and spacing unit consisting of Lots 8 and 9 of Irregular Section 2.

5. Amerind has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Amerind has been unable to obtain a written voluntary agreement from the parties listed on Exhibit "A."

7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Amerind needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for February 6, 1997.

WHEREFORE, Amerind, as applicant, requests that this application be set for hearing on February 6, 1997 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

(1) Amerind Oil Company, Ltd. be named operator;

(2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

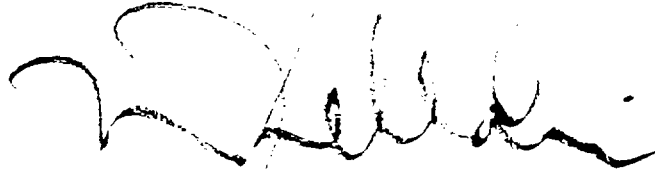


(3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%:

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS:

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285

## EXHIBIT "A"

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Robert Bullock

Yates Drilling Company  
105 South Fourth Street  
Artesia New Mexico 88210

Myco Industries, Inc.  
105 South Fourth Street  
Artesia, New Mexico 88210

Abo Petroleum Corporation  
105 South Fourth Street  
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OIL CONSERVATION DIVISION CASE:

*Re: Application of Amerind Oil Company, Ltd.  
for Compulsory Pooling, Lea County, New Mexico*

On behalf of Amerind Oil Company, Ltd., please find enclosed our application for an compulsory pooling for its State "AY" Com Well No. 2 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for February 6, 1997. The hearing will be held at the Division hearing room located in Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

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In support of its application, Amerind Oil Company, Ltd.  
("Amerind") states:

1. Amerind controls 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 7 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

2. Yates Petroleum Corporation, Abo Petroleum Corporation, Myco Industries, Inc. and Yates Drilling Company ("Yates Group") control 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 10 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

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5. Amerind has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Amerind has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Amerind needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

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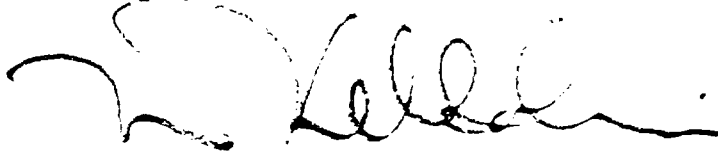
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