

10-16-2000

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OCT 17 2000

New Mexico Oil Conservation Commission  
c/o Ms. Lori Wrotenbery, Director  
2040 South Pacheco  
Santa Fe, NM 87505

Subject: Protest of Application of BP Amoco for establishment of a downhole commingling "reference case" and pre-approval of downhole commingling for formations and pools in the Gallegos Canyon Unit pursuant to Division Rule 303.C and adoption of special administrative rules therefore, San Juan County, New Mexico.

Reference: Amoco Business Associates-

No. 135479-00 Dyvena Crawford - Life Estate, 1091 West Murray Drive,  
Apt. 232, Farmington, NM 87401

No. 687829-00 Carroll E. and Bonnie J. Crawford, 83 Road 5295, NBU 3026,  
Farmington, NM 87401

Dear Ms. Wrotenbery:

We protest the BP Amoco Downhole Commingling Application on the following bases:

1. BP Amoco is in violation of the Oil and Gas Act Section 70-2-18
2. BP Amoco is in violation of the Oil and Gas Proceeds Payment Act Section 70-10-5 and Section 70-10-3
3. BP Amoco (formerly Amoco) is in violation of the Oil and Gas Lease dated 25 May, 1959 (two) and 27 August, 1963 on file at the San Juan County Clerk's office in Aztec, NM. The leases (two) require (See attached copies):
  - a. One-eighth Royalties (1/8) payable by the Lessee,
  - b. Overriding Royalty of four percent (4%),
  - c. Royalties of the market value at the well of 100% of the oil and gas produced and saved and sold or used off the premises,
  - d. Monthly accounting for 100% of production of oil or gas at the prevailing market rate,
  - e. Royalties paid in proportion which his interest bears to the whole and undivided fee,
  - f. Non-participating interest for all of our non-committed interest in the Gallegos Canyon Unit in Sections 25 and 26, T29N, R12W, San Juan County

First, we are concerned that our and other interests are not properly entered in the BP Amoco accounting system based on three different Division Order requests sent to Mrs. Dyvena Crawford in error after Amoco revised the accounting/payment system in March, 1993 for the following wells:

- 1 - Gallegos Canyon Unit 159E Dakota - SW/Sec.31-28-12
- 2 - Gallegos Canyon Unit 395 PC - NE/Sec. 30-29-12
- 3 - Gov't Moncrief Federal/DK/#1 and #1E Comm 50%-N/2 Sec. 22-29N-12W  
(Re: Mr. Gary Wilson-Amoco Division Order Letter dated 12-30-96 and 5-10-97 attached)

We have never owned property in Sections 22, 30, and 31 and have no entitlement to royalties based on our non-committed interests regarding the Gallegos Canyon Unit.

Secondly, Royalty interests were paid under the new system through November, 1996 for September, 1996 production. Without notice of any kind, Amoco suspended royalty payments in December, 1996 for October 1996 production to the present date. In December 1996 and February 1997, we began inquiries into failure to pay royalties, overriding royalty interests and treatment of uncommitted leases under Amoco's new accounting system. Ms. Shelly Wilhoite, Amoco Analyst, advised that production royalties for gas and NGL were paid at 100% well volume to these leases (*as it should have been per lease*) for the period 10/94 through 9/96 and should have been multiplied by a non-committed decimal resulting in an overpayment per Amoco. In later conversations she backed off the NGL being improperly settled. I challenged her on the Non-committed Decimals Amoco was using for their Lease Numbers 2904490, 29041200, and 19033700 (See her March 20, 1997 Letter attached). The Negative Deferred Detail and Check Detail Summaries were not sufficient to tie to the gas production 100% volumes reported by the gathering pipeline company. Amoco has provided no further accounting of production and market values, on the monthly basis requested per lease. I believe their "creative accounting" system is inherently flawed. Other royalty owners adjoining our lease property (Mr. Hulan Crawford and Ms. Audrie Bennett) advise they have not been able to get Amoco to pay their royalty interest committed to the Gallegos unit due to estate ownership changes. Who is getting their royalties? What is the status of production taxes?

Mrs. Dyvena Crawford did not receive notice of hearing for the Gallegos Canyon Unit Hearing!

The Amoco accounting system that seems to be unable to properly handle simple royalty interest and ownership is unlikely to properly handle more complicated downhole commingled interests!

Thirdly, we make the following requests:

1. That the NMOCC deny BP Amoco's downhold commingling request at October 19, 2000 hearing.
2. That the NMOCC order that any wells having a non-committed interest not be allowed to downhold commingle without a well-by-well hearing before the NMOCC that validates BP Amoco's accounting/ownership records and systems as well as production matters.
3. That the NMOCC order that the following ten (10) non-committed interest wells be shut-in and locked by BP Amoco until they have satisfied lessor's lease terms and full 100% monthly volume and market value accounting since the March, 1993 accounting system changes per validated ownership interests:

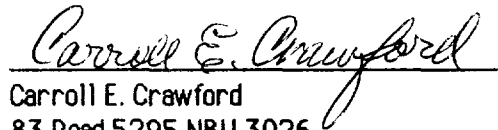
Gathering P/L Numbers

<u>Meter Code</u>	<u>Well Name</u>
14-039	Gallegos Canyon Unit 142 DK
03-906	Gallegos Canyon Unit 142E DK
73-778	Crawford Gas Com B 1 DK
14-040	Gallegos Canyon Unit B 143 DK
14-047	Gallegos Canyon Unit Gas Com 179 DK
93-178	Gallegos Canyon Unit Com B 1 E DK
03-899	Gallegos Canyon Unit Gas Com 143 E DK
03-900	Gallegos Canyon Unit G 179 E Dk
97-038	Gallegos Canyon Unit 512 PC
97-458	Gallegos Canyon Unit 518 PC

4. That the NMOCC order BP Amoco to utilize wellhead electronic metering that displays pressures, temperatures, flow rates and accumulated flow volumes on site. The present system lends itself to manipulation and prevents royalty owners from reviewing production parameters on site.

Your assistance in this matter will be greatly appreciated as it is inconvenient at this time to attend the hearing.

Sincerely yours,



Carroll E. Crawford  
83 Road 5295 NBU 3026  
Farmington, NM 87401-1532  
Phone (505) 632-2892  
FAX (505) 632-2894

Exhibit Attachments:

- (1) 5-25-59 Lease - Section 25 & 26 T29N-R12W-with Overriding Royalty
- (2) 5-25-59 Lease - Section 24-T29N-R12W-with Overriding Royalty
- (3) 8-27-63 Lease - Section 25-T-29N-R12W w/o Overriding Royalty
- (4) 12-30-96- Gary Wilson - Amoco Lease Reference Letter
- (5) 3-20-97 Shelly Wilhoit - Amoco-Document Activity for Negative balance of royalty account
- (6) 5-10-97 Gary Wilson Amoco Lease Letter on treatment of uncommitted leases
- (7) 9-28-00 Amoco - Gallegos Canyon Unit Area Notice

copy: Mrs. Dyvena Crawford