

OIL CONSERVATION DIVISION
RECEIVED

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505-327-3388

September 11, 1992

William J. LeMay, Chairman
Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, NM 87504

Re: Oil Conservation Commission
Case No. 10345 (De Novo), Order No. R-9581-A and
Case No. 10346 (De Novo), Order No. R-9584-A
In the Matter of the Applications of BHP Petroleum
(Americas), Inc. for Compulsory Pooling, San Juan
County, New Mexico

Dear Chairman LeMay:

Enclosed for filing are the originals of Louise Y. Locke
d/b/a Locke-Taylor Drilling Company's Objections to Well Costs
for the Gallegos Canyon Unit #390 and #391 Wells.

Please advise if you need further information or
assistance.

Sincerely,



Richard T. C. Tully

RTCT:sak

Enclosures
cc w/encl.

Louise Y. Locke
c/o Don Locke
113 West 3rd
Rifle, CO 81650

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Hinkle, Cox, Eaton, Coffield & Hensley
P. O. Box 2068
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William J. LeMay, Chairman
September 11, 1992
PAGE TWO

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March 5, 1992

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*NOT LICENSED IN NEW MEXICO

FEDERAL EXPRESS

Mr. Robert Stovall
New Mexico Oil Conservation
Division
State Land Office Building
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87501

Re: Case Nos. 10345 (de novo) and 10346 (de novo); Applications of BHP Petroleum (Americas) Inc. for Compulsory Pooling, San Juan County, New Mexico.

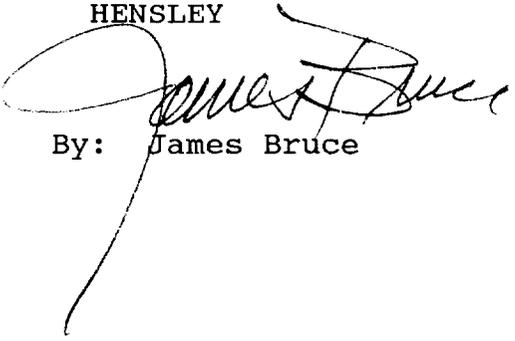
Dear Mr. Stovall:

As you requested on February 27th, enclosed are a complete set of numbered exhibits BHP will or may use at the hearing on March 12th. If you desire additional sets, please call me.

BHP's summary of testimony from the examiner's hearing, summary of proposed testimony, and brief will be hand delivered to you on Friday, March 6th.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By:  James Bruce

JB:le
Enclosures

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ATTORNEY AT LAW
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RICHARD T.C. TULLY
MICHAEL CUNNINGHAM

505-327-3388

March 4, 1992

William LeMay, Chairman
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, NM 87504-2088

Re: Applications of BHP Petroleum (Americas) Inc.
Case Nos. 10345 and 10346

Dear Chairman LeMay:

Pursuant to the abbreviated hearing of the above-captioned cases on February 27, 1992, you will find enclosed a brief of the legal issues involved in the above-captioned cases.

Copies of the exhibits that are going to be used at the hearing on March 12, 1992 have been exchanged with James Bruce, Esq., the attorney for BHP Petroleum (Americas) Inc. Copies of these same exhibits have also been given to Robert Stovall, Esq., General Counsel of the New Mexico Oil Conservation Division.

You will also find enclosed copies of the following pleadings filed in the lawsuit in the United States District Court for the District of New Mexico:

1. Amended Complaint for Trespass, Conversion, Negligence, Bad Faith, and Slander of Title.
2. Status Report of the pending lawsuit providing, among other things, a summary of the witnesses' proposed testimony.
3. Order imposing deadlines to make sure the jury trial will be held in August, 1992 (5 months away).

Your attention is specifically directed in the Amended Complaint to the "General Statements of Facts" (Pages 1-4); Count I - "Trespass and Bad Faith", (Pages 4-16); Count IV - "Slander of Title", (Pages 24-32); and the Affidavit of Ewell N. Walsh, P.E., attached as Exhibit "B" to the Amended Complaint.

William LeMay, Chairman
March 4, 1992
PAGE TWO

Even a cursory review of these pleadings show the issues before the federal district court and jury are identical to the issues before the New Mexico Oil Conservation Commission. Also, note Louise Y. Locke has specifically attacked the filing of the compulsory pooling applications by BHP.

We recognize the New Mexico Oil Conservation Commission has the right to pool interests to form proration units for the drilling of wells. However, it may not be prudent for the NMOCC to compulsory pool these interests at this time for the following reasons:

1. The issue of who has the right to drill on the Zimmerman Oil and Gas Lease should be determined by either the judge or the jury.

2. The issue of whether the completion of the Gallegos Canyon Unit #391 Well will damage the Tycksen #1 Well should be determined by either the judge or the jury.

3. BHP Petroleum (Americas) Inc. has stated the issuance of the compulsory pooling orders will render the two above issues "moot". If BHP is correct, then a precedent will be set which will allow other operators to drill wells on leases and lands owned by other parties without prior notification and joinder to the drilling of the wells. Then, the offending operator in order to correct the trespass upon lands not owned by it, needs only to secure a force pooling order from the NMOCD to correct the illegal act of trespass.

4. The Gallegos Canyon Unit #390 and #391 Wells were drilled in December, 1990. The initial hearing before the New Mexico Oil Conservation Division was held in July, 1991; and the jury trial in the federal district court will be held in August, 1992.

BHP Petroleum (Americas) Inc. has stated that if it knew now what it believed concerning gas prices when the wells were drilled in December, 1990, the Gallegos Canyon Unit #390 and #391 Wells would not be drilled.

There does not appear to be any urgent need to complete these wells at this time. There will be no harm done by the NMOCC in continuing the present case until after the federal district court and jury render decisions concerning the above issues in the very near future.

William LeMay, Chairman
March 4, 1992
PAGE THREE

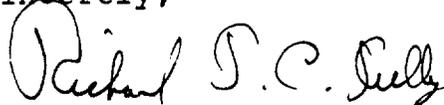
5. If the NMOCC issues compulsory pooling orders in these cases, and Louise Y. Locke is successful in proving BHP trespassed upon her lease and lands before the federal court and jury, Louise Y. Locke will return to the NMOCC to request a change of operator for the Gallegos Canyon Unit #391 Well, and to change the proration unit to the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M.

The lawsuit in the federal court will be litigated in the very near future; there is no urgent need to complete these wells at this time; the NMOCC could be setting a dangerous and disruptive precedent in issuing compulsory pooling orders at this time; and there is a good possibility of further hearings at the NMOCC after the federal court and jury decide the above issues.

To promote efficiency and economy, it appears the prudent action for the NMOCC is to wait until the court case is terminated before proceeding with the current compulsory pooling cases.

Please advise if you need further information or assistance.

Sincerely,


Richard T. C. Tully

RTCT:sak

Enclosures

cc w/o encl.

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S172/52532L2

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW MEXICO

LOUISE Y. LOCKE d/b/a
Locke-Taylor Drilling Company,

Plaintiff,

vs.

No. CIV 91-748M

BHP PETROLEUM (AMERICAS) INC.,

Defendant.

FILED
UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

91 DEC 13 PM 3:4

Robert M. ...
CLERK-ALBUQUERQUE

STATUS REPORT

Pursuant to the Court's Order entered October 2, 1991, Plaintiff and Defendant through their attorneys jointly submit this status report.

1. Jurisdiction and Venue: There is no challenge to jurisdiction or venue.

2. Nature of the Case and contentions of the Parties:
This is an action for trespass, conversion, negligence, bad faith, and slander of title.

(a) General Statement of Facts: Plaintiff owns the oil and gas leasehold estate ("the working interest") of the N/2 of Section 23, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, from the surface to the base of the Pictured Cliffs Formation. Defendant owns the working interest, or the operating rights of the working interest owner, under the S/2 of Section 23, from the surface to the base of the Pictured Cliffs Formation. Section 23 is within the boundaries of the Gallegos Canyon Unit ("GCU"), a unit formed for oil and gas development located in San Juan

County, New Mexico. There is a dispute as to whether certain lands and formations in Section 23 have been and are currently committed to the GCU. Defendant has been designated as the suboperator of the GCU by the Unit Operator Amoco Production Company for all depths from the surface to the base of the Pictured Cliffs Formation. The Unit Agreement for the GCU is recorded in the records of San Juan County, New Mexico.

In April 1990 Defendant proposed to drill the GCU Nos. 390 and 391 Wells to the regulatory agencies having authority over the operations of the GCU. In July, 1990 Defendant issued authorities for expenditures ("AFE's") to the other working interest owners except Plaintiff in Section 23 requesting their joinder in the drilling of the GCU #390 and #391 Wells.

In October, 1990 Defendant offered to purchase Plaintiff's oil and gas interests in the NW/4 of Section 23.

In December, 1990 Defendant commenced drilling operations of the following described wells without purchasing, farming-out or securing the joinder of Plaintiff prior to such drilling:

(i) The GCU Well No. 390 located in the SE/4SW/4 of Section 23; and

(ii) The GCU Well No. 391 located in the NE/4NE/4 of Section 23.

The No. 390 and 391 wells are projected by Defendant to be completed in the Basin-Fruitland Coal Gas Pool, but no completion activities have been undertaken to this date. The No. 391 Well is located approximately 130 feet from the Tycksen No. 2 Well, a well operated by Plaintiff, and which has been producing from the West Kutz Fruitland Pool since 1954.

In October, 1988 the vertical limits of the West Kutz Fruitland Pool were contracted to include only the Sandstone interval of the Fruitland Formation, and this pool has been redesignated the West Kutz-Fruitland Sand Pool. The Basin-Fruitland Coal Gas Pool was established in October, 1988 with vertical limits comprising all coal seams within what was originally the West Kutz-Fruitland Pool and other Pools.

The pool rules for the Basin-Fruitland Coal Gas Pool require 320 acre spacing units. Defendant, when it commenced drilling the wells, designated the W/2 of Section 23 as the spacing unit for the No. 390 well, and the E/2 of Section 23 as the spacing unit for the No. 391 well.

After Plaintiff wrote to Defendant in February, 1991 claiming that Defendant had committed a bad faith trespass in Section 23, Defendant filed compulsory pooling applications with the New Mexico Oil Conservation Division ("OCD") to force pool Plaintiff's interests in the No. 390 and No. 391 Wells. Defendant's applications were granted by the OCD.

These compulsory applications are still pending before the NMOCD pursuant to an appeal filed by the Plaintiff.

(b) Plaintiff's Contentions: Defendant had no authority to enter the NE/4 of Section 23 and drill the No. 391 Well since the leasehold estate from the surface to the base of the Pictured Cliffs Formation in the N/2 of Section 23 is owned by Plaintiff. Plaintiff has never committed her interests to the GCU. Even if Plaintiff's predecessors in title committed certain of their interests to the GCU, these committed interests have been withdrawn from the GCU by the predecessors either voluntarily or by subsequent conduct and written modifications to agreements by the predecessors. Furthermore, the N/2 of Section 23, from the surface to the base of the Pictured Cliffs Formation, is pooled by a Pooling Designation. As a result, when Defendant entered on the NE/4 of Section 23 to drill the No. 391 Well, it committed trespass, and such trespass was done in bad faith.

Second, if Defendant completes the two wells and produces hydrocarbons from them, it will exercise dominion over Plaintiff's property, thus converting Plaintiff's property to Defendant's own use and benefit.

Third, Plaintiff contends that the Defendant was negligent and grossly negligent in the drilling of the No. 391 Well, and Defendant is responsible for damages, compensatory and punitive, for its conduct.

Fourth, by filing the compulsory pooling applications, and due to Defendant's failure of any interest in the N/2 of Section 23, Defendant has disparaged and slandered Plaintiff's title in a malicious manner.

Fifth, Defendant in bad faith established the E/2 and W/2 spacing units instead of N/2 and S/2 spacing units.

(c) Defendant's Contentions: Defendant denies liability on all claims as follows:

(i) Trespass: The working interest of the lease covering the NE/4NE/4 of Section 23 is committed to the GCU. Thus, as GCU suboperator, Defendant had the right to drill the No. 391 Well thereon. Defendant was not required to purchase, farmout, or secure the joinder of Plaintiff prior to commencing the No. 390 and Nos. 391 Wells. In addition, the OCD issued Order No. R-9584, authorizing Defendant to drill the No. 391 Well on the NE/4NE/4 of Section 23, which negates any alleged trespass.

(ii) Conversion: Defendant admits that Plaintiff owns the leasehold on the N/2 of Section 23. Defendant does own the right to drill wells on spacing units covering the W/2 and E/2 of Section 23 under OCD orders and the GCU documents. However, Plaintiff will receive her prorata share of production from both the No. 390 and No. 391 Wells. Thus, Defendant has attempted no conversion.

(iii) Slander of Title: Defendant had the

right to drill the No. 390 and No. 391 Wells because of its ownership of the working interest or operating rights in the E/2 and W/2 of Section 23, including the tracts on which the two wells are located. The claims made in the compulsory pooling applications were truthful, were made in good faith, and were made under claim of right and without malice.

(iv) Negligence/Damages: The drilling of the No. 391 Well has not damaged, and will not damage, the Tycksen No. 1 Well, which produces from a formation separate from the formation in which the No. 391 Well will be completed.

3. Motions: There are no pending motions. Plaintiff contemplates filing the following motions:

(a) Motion to Add Amoco Production Company as a Defendant.

(b) Motion to Compel Production for documents not produced under Plaintiff's Request to Produce dated October 9, 1991.

(c) Motion for Partial Summary Judgment concerning Defendant's lack of title and authority to enter the NE/4 of Section 23.

(d) Motion to Add Royalty Interest Owners as Co-Plaintiffs or Involuntary Plaintiffs.

Defendant contemplates filing a motion for summary judgment, and possibly a motion to stay court proceedings (including discovery) pending the resolution of proceedings

before the OCD.

4. Matters Requiring Conference:

(a) Motions to compel discovery if counsel cannot agree.

(b) Cross-motions for summary judgment.

5. Joinder: At this time the parties do not contemplate joining other parties or filing any third-party complaints except as proposed by Plaintiff in No. 3 above.

6. Discovery: The parties have submitted or will submit interrogatories, requests for production, and requests for admissions to each other. In addition, all potential witnesses will be deposed. It is estimated discovery will be concluded by September 1, 1992.

Plaintiff's may or will call as witnesses:

(i) Ewell N. Walsh, (expert engineer). Mr. Walsh will testify as to the drilling of the GCU #391 Well; the damage to the Tycksen #1 Well; the drilling, completion, and producing techniques and methods, and value of Fruitland wells;

(ii) Paul C. Bertoglio, Defendant's employee. Mr. Bertoglio will testify as to the practice and policy of Defendant in proposing and drilling GCU wells; drilling, completion, and producing techniques and methods, and value of Fruitland wells;

(iii) John C. Bircher, Defendant's geological consultant. Mr. Bircher will testify as to the West Kutz

Fruitland Pool, West Kutz Fruitland Sand Pool, and Basin-Fruitland Coal Gas Pool;

(iv) Christine L. Hinton, Defendant's employee. Ms. Hinton will testify as to the practice and policy of Defendant in proposing and drilling GCU wells; the knowledge by Defendant of Plaintiff's interest in the N/2 of Section 23; and the knowledge by Defendant of the Tycksen #1 Well;

(v) Representative of Amoco Production Company, name unknown at this time. This witness will testify as to the title information concerning the N/2 of Section 23 that it provided to Defendant as suboperator of the GCU; the history of the GCU and the non-commitment of: (a) the N/2 of Section 23 from the surface to the base of the Pictured Cliffs Formation; and (b) the Tycksen #1 Well to the GCU;

(vi) Representative of Benson-Montin, name unknown at this time. This witness will testify as to the non-commitment of the N/2 of Section 23 from the surface to the base of the Pictured Cliffs Formation, and of the Tycksen #1 Well to the GCU;

(vii) Defendant's witnesses named below:

Plaintiff reserves the right to name additional witnesses.

Defendant may or will call as witnesses:

(i) Donald Reinhardt (expert landman), BHP Petroleum (Americas) Inc., 5847 San Felipe, Ste 3600, Houston,

Texas 77057. Mr. Reinhardt will testify about land ownership and operating rights matters in Section 23 and the GCU. These matters will prove the lack of trespass, conversion, and slander of title;

(ii) Melissa Torbet (expert engineer), BHP Petroleum (Americas) Inc., 5847 San Felipe, Ste 3600, Houston, Texas 77057. Ms. Torbet's testimony will prove that Defendant's wells will be producing from a different formation than Plaintiff's Tycksen No. 1 Well, and that the Tycksen No. 1 Well will not be harmed. Her testimony will disprove negligence or damages;

(iii) A representative of the Bureau of Land Management's Farmington or Albuquerque office (not yet identified by name). This person will testify about commitment of land to the GCU.

(iv) A representative of the OCD (an expert not yet identified by name). This person will testify as to the different formations the No. 390 and No. 391 Wells, and the Tycksen No. 1 Well, are completed in.

Defendant reserves the right to name additional witnesses.

7. Trial: It is estimated that trial will take 4-5 days. A trial date of ~~early to~~ late 1992 is requested.

8. Settlement: Settlement prospects appear poor at this time, although the parties have been negotiating.

9. Attorneys: This case will be prepared and tried by the following counsel:

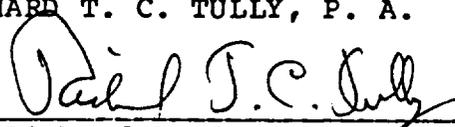
Richard T. C. Tully, Esq.
Attorney for Plaintiff

James Bruce, Esq.
Jon Bowden, Esq.
Attorneys for Defendant

10. Differences of Counsel:

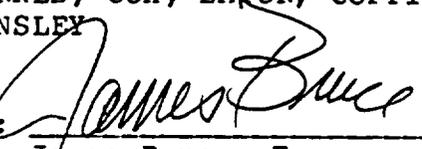
None at this time.

RICHARD T. C. TULLY, P. A.

By: 

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P. O. Box 268
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(505) 327-3388
Attorneys for Plaintiff

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: 

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(505) 768-1500
Attorneys for Defendant

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(713) 780-5000

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF NEW MEXICO

FILED
AT ALBUQUERQUE

JAN 21 1992

ROBERT M. MARCH
CLERK

LOUISE Y. LOCKE d/b/a)
Locke-Taylor Drilling Company,)
)
Plaintiff,)
)
v.)
)
BHP PETROLEUM (AMERICAS), INC.,)
)
Defendant.)

No. 91-748-M Civil

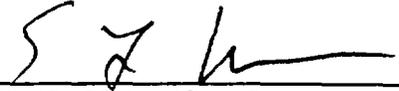
ORDER

The parties having submitted their status report, the following shall be the deadlines imposed in this matter.

1. Plaintiff shall identify expert by February 15, 1992.
2. Defendant shall identify expert by March 1, 1992.
3. All witnesses shall be identified by May 1, 1992.
4. Discovery shall be complete by June 15, 1992.
5. Dispositive motions such as summary judgment, qualified immunity, motions to dismiss, and the like shall be filed by June 23, 1992.
6. All other pretrial motions shall be filed by June 30, 1992.
7. The parties shall submit their combined pretrial order by June 30, 1992.

8. Trial of this matter shall be August 1992.

IT IS SO ORDERED.

A handwritten signature in black ink, appearing to read "S. J. W.", is written above a horizontal line.

SENIOR UNITED STATES DISTRICT JUDGE

Richard T. Tully, Esq.
PO Box 268
Farmington, NM 87499-0268

Re: 1:91-cv-00748

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW MEXICO

LOUISE Y. LOCKE d/b/a LOCKE-
TAYLOR DRILLING COMPANY,

Plaintiff,

vs.

NO. CIV. 91-748M

BHP PETROLEUM (AMERICAS) INC.,

Defendant.

AMENDED COMPLAINT FOR TRESPASS, CONVERSION,
NEGLIGENCE, BAD FAITH, AND SLANDER OF TITLE

COMES NOW the Plaintiff Louise Y. Locke d/b/a
Locke-Taylor Drilling Company for her complaint against
Defendant BHP Petroleum (Americas) Inc. and states as follows:

GENERAL STATEMENT OF FACTS

1. Plaintiff Louise Y. Locke is a resident of Colorado; she is the owner of the working interest and operating rights from the surface down to the base of the Pictured Cliffs Formation underlying the N/2 of Section 23, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico; and she is the owner and operator through the business name of Locke-Taylor Drilling Company of the Howard Tycksen Pooled Unit #1 Well (also previously known as the Dustin Pooled Unit #1 Well), a producing Fruitland Formation well, located in the NE/4 of Section 23, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

2. Defendant BHP Petroleum (Americas) Inc. is a foreign corporation authorized to conduct and transact business in the

State of New Mexico; and as the operator of the Gallegos Canyon Unit #391 Well, it has entered upon and drilled or caused to be drilled the Gallegos Canyon Unit #391 Well in the NE/4 of Section 23, T-29-N, R-13-W, N.M.P.M., to the Fruitland Formation.

3. The surface down to the base of the Pictured Cliffs Formation underlying the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., has not been committed to the Gallegos Canyon Unit under Unit Agreement dated November 1, 1951, as amended; but even if committed, the Fruitland and Pictured Cliffs Formations have been previously declared non-commercial by the Unit Operator of the Gallegos Canyon Unit.

4. The Fruitland Formation is located between the surface and the base of the Pictured Cliffs Formation.

5. Plaintiff is the successor to the original lessees of the following oil and gas leases covering the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., and has the exclusive right to drill, operate, and produce oil and gas from the surface down to the base of the Pictured Cliffs Formation underlying the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico:

- a. Oil and Gas Lease dated December 13, 1951 with William S. Allen and Melva J. Allen, his spouse, and Eula L. Allen, widow, "Lessors", and filed in Book

192, Page 160 of the records of San Juan County, New Mexico;

- b. Oil and Gas Lease dated August 22, 1952 with John A. Lee and Eleanor K. Lee, his spouse, "Lessors", and filed in Book 192, Page 161 of the records of San Juan County, New Mexico;
- c. Oil and Gas Lease dated February 20, 1947 with Helen Zimmerman and R. J. Zimmerman, her spouse, "Lessors", and filed in Book 125, Page 153 of the records of San Juan County, New Mexico;
- d. Oil and Gas Lease dated April 21, 1951 with B. E. Dustin and Ruth Dustin, his spouse, and Louis Dustin, a widow, "Lessors", and filed in Book 175, Page 137 of the records of San Juan County, New Mexico.

6. The N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., from the surface down to the base of the Pictured Cliffs Formation is a pooled unit as designated by the Pooling Designation executed by Lloyd D. Locke, Lloyd B. Taylor, Stanolind Oil and Gas Company, Earl A. Benson, and William V. Montin, and filed in Book 270, Page 23 of the records of San Juan County, New Mexico; at the time of executing this Pooling Designation Stanolind Oil and Gas Company was the former Unit Operator, and Benson and Montin were then the Unit Operator of the Gallegos Canyon Unit. A copy of this Pooling Designation

is attached hereto as Exhibit "A", and incorporated herein by reference.

7. Defendant is not the owner of any working interest nor operating rights from the surface down to the base of the Pictured Cliffs Formation in the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico; and upon information and belief, Defendant is not the owner of any vested working interest nor operating rights from the surface down to the base of the Pictured Cliffs Formation in the S/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico.

8. By their conduct, actions, and course of dealing, Plaintiff and Defendant, and their respective predecessors in title, have not committed nor considered to be committed to the Gallegos Canyon Unit, the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M. from the surface to the base of the Pictured Cliffs Formation.

COUNT I - (Trespass; Bad Faith)

9. Plaintiff realleges Paragraph Nos. 1 through 8 of the General Statement of Facts, and incorporates them by reference herein as if fully restated.

10. The drilling of the Howard Tycksen Pooled Unit #1 Well commenced on August 6, 1952, and it has produced from the Fruitland Formation since April 19, 1954.

11. In 1967 Pan American Petroleum Corporation, the then Unit Operator of the Gallegos Canyon Unit, submitted for approval the Initial Participating Area as well as the First, Second, and Third Enlargements of the Participating Area for the Fruitland Formation in the Gallegos Canyon Unit; which submittal specifically recognized the Tycksen Pooled Unit #1 Well was determined by the Unit Operator to be a non-commercial Fruitland completion.

12. In 1986 and again in 1988 Defendant submitted applications, maps, and schedules to revise and expand the Fruitland Participating Area of the Gallegos Canyon Unit, which documents recognized that the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M. was not committed to the Gallegos Canyon Unit and the Fruitland Participating Area thereof.

13. Prior to February, 1988 Defendant knew that the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M. was located within the boundaries of the Gallegos Canyon Unit, but that these lands and the wells located thereon were not included in the Fruitland Participating Area of the Gallegos Canyon Unit.

14. In April, 1990 Defendant proposed the drilling of the Gallegos Canyon Unit #391 Well to be located in the NE/4NE/4 of Section 23, T-29-N, R-13-W, N.M.P.M. to the Fruitland Formation to the Bureau of Land Management of the United States Department of Interior, the New Mexico Oil

Conservation Division, and the New Mexico Commissioner of Public Lands.

15. Defendant had knowledge that Plaintiff was the owner of the working interest and operating rights from the surface down to the base of the Pictured Cliffs Formation in the NW/4 of Section 23, T-29-N, R-13-W, N.M.P.M. when it made an offer to purchase the Plaintiff's interest in the NW/4 of Section 23 on October 31, 1990.

16. Prior to February, 1988 Defendant had notice and knowledge, or should have reasonably had notice and knowledge from the records of San Juan County, New Mexico, and as the suboperator of the Gallegos Canyon Unit from the surface to the base of the Pictured Cliffs Formation, that Plaintiff was also the owner of the working interest and operating rights from the surface down to the base of the Pictured Cliffs Formation in the NE/4 of Section 23, T-29-N, R-13-W, N.M.P.M.

17. On December 12, 1990 Defendant commenced or caused to be commenced the drilling of the Gallegos Canyon Unit #391 Well in the NE/4 of Section 23, T-29-N, R-13-W, N.M.P.M. with the wellhead location of such well being located approximately 130 feet away from the wellhead location of the Howard Tycksen Pooled Unit #1 Well, also located in the NE/4 of Section 23; at that time Defendant had notice and knowledge that Plaintiff was in possession of the NE/4 of Section 23, T-29-N, R-13-W, N.M.P.M..

18. On or before December 12, 1990 Defendant had actual notice and knowledge of the existence and location of the Howard Tycksen Pooled Unit #1 Well when Defendant located the wellhead of the Gallegos Canyon Unit #391 Well approximately 130 feet from the wellhead of the Tycksen #1 Well, and approximately 100 feet from the production metering facilities of the Tycksen #1 Well; the Tycksen #1 wellhead and the metering facilities being permanent and visible structures and equipment located on the same wellsite location as the Gallegos Canyon Unit #391 Well.

19. On or before December 12, 1990 Defendant had notice and knowledge, or should have reasonably had notice and knowledge, from the records of the New Mexico Oil Conservation Division, and as suboperator of the Gallegos Canyon Unit from the surface to the base of the Pictured Cliffs Formation, that the Howard Tycksen Pooled Unit #1 Well was commenced to be drilled August 6, 1952; it was completed in the Fruitland Formation on October 22, 1952; first delivery of gas production from the Fruitland Formation occurred on April 19, 1954; that the Tycksen #1 Well has continuously produced from such Formation for over the last 37 years; and that Defendant should not have drilled the Gallegos Canyon Unit #391 Well on the same lands and on the same wellsite location in such close proximity to a well already producing from the Fruitland Formation.

20. On or before December 12, 1990 Defendant had notice and knowledge, or should have reasonably had notice and knowledge from its own files and records as well as the records of the New Mexico Oil Conservation Division, the Bureau of Land Management of the U. S. Department of Interior, and the New Mexico Commissioner of Public Lands, that the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., is not and has not been committed to the Gallegos Canyon Unit and to the Fruitland Participating Area thereof.

21. Defendant has acted for the purpose of interfering with Plaintiff's working interest and operating rights in the N/2 of Section 23 by drilling or causing to be drilled the Gallegos Canyon Unit #391 Well in the NE/4 of Section 23, T-29-N, R-13-W, N.M.P.M. by wrongfully invading and physically entering property of Plaintiffs.

22. Defendant had notice and knowledge, or reasonably should have had notice and knowledge, that drilling to the Fruitland Formation that the Howard Tycksen Pooled Unit #1 Well was producing from was substantially certain to disturb the Plaintiff's right, title, and interest from the surface to the base of the Pictured Cliffs Formation, and that Defendant knew or should have known, that it did not have permission to enter upon and drill or cause to be drilled the Gallegos Canyon Unit #391 Well in the NE/4 of Section 23.

23. Defendant's actions constitutes an unauthorized and intentional act of subsurface encroachment and trespass, which constitutes wrongful interference with the right, title, and interest of Plaintiff, all done willfully, in bad faith, and without justification by Defendant.

24. Plaintiff and her predecessors in interest have been in actual and exclusive possession of the subsurface rights from the surface down to the base of the Pictured Cliffs Formation in the N/2 of Section 23 since prior to the commencement of drilling of the Howard Tycksen Pooled Unit #1 Well on August 6, 1952, almost 39 years.

25. Defendant is a complete and total stranger to the title in the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., and particularly in the NE/4 of Section 23, from the surface down to the base of the Pictured Cliffs Formation.

26. The Defendant had no reasonable grounds to believe that it had superiority of its title or right to develop as owner of these formations; that it had the right to explore and develop these lands and formations; that it had a just and legal foundation for its actions; however, even after Defendant had notice and knowledge of the superiority of Plaintiff's title, Defendant willfully and wrongfully drilled or caused to be drilled the Gallegos Canyon Unit #391 Well.

27. Plaintiff has the right to maintain this action against Defendant, a stranger to the title in the N/2 of Section 23 from the surface down to the base of the Pictured Cliffs Formation, due to Defendant negligently and intentionally drilling, or causing to be drilled the Gallegos Canyon #391 Well unlawfully and without authority; there is no innocence, mistake, nor good faith that can be claimed by Defendant.

28. Defendant, by its wrongful acts in drilling, or causing to be drilled, the Gallegos Canyon Unit #391 Well is asserting or has asserted rights it does not nor did have, and it is seeking to deprive Plaintiff of her lawful ownership from the surface down to the base of the Pictured Cliffs Formation in the N/2 of Section 23, and of the Howard Tycksen Pooled Unit #1 Well, and its appurtenant equipment and personal property, existing production therefrom, and ultimate recoverable reserves of gas from the Fruitland Formation.

29. In the event Defendant attempts to complete or does complete the Gallegos Canyon Unit #391 Well, the current production from the Howard Tycksen Pooled Unit #1 Well and the ultimate recoverable reserves of gas production from the Tycksen #1 Well will be adversely affected, resulting in loss of income and future profit to Plaintiff; during and after these completion activities the Tycksen #1 Well and the

Fruitland Formation may be in great danger of being damaged, and the ultimate recoverable gas production of Plaintiff could be diminished. See Affidavit of Ewell N. Walsh, P.E., attached hereto as Exhibit "B", and incorporated herein by reference.

30. Defendant has directly infringed upon and injured Plaintiff's right of possession of the subsurface formations from the surface down to the base of the Pictured Cliffs Formation; it has intentionally and physically invaded the subsurface from the surface down through the Fruitland Formation; it has substantially interfered with Plaintiff's beneficial use of her right, title, and interest, and in particular, the Howard Tycksen Pooled Unit #1 Well; there was no compelling reason for Defendant to enter upon these lands and drill the Gallegos Canyon Unit #391 Well because the oil and gas leases were not about to expire, and the lands and formations were only being drained by the rightful owner (Plaintiff).

31. Plaintiff has requested Defendant to remove itself from this subsurface trespass, which was not inadvertent nor innocent, in the NE/4 of Section 23, but Defendant has not so removed itself, and, upon information and belief, Defendant will not remove itself but will continue this trespass in the NE/4 of Section 23 unless enjoined by the Court.

32. Plaintiff has no adequate remedy at law because:

(a) The subsurface trespass of the Defendant through formations owned by Plaintiff is a physical invasion that has been a continuing trespass since December 12, 1990 that is irreparable.

(b) When Defendant completes, or attempts to complete, the Gallegos Canyon Unit #391 Well in the Fruitland Formation approximately 130 feet from the existing Tycksen #1 Well, which is already producing from the Fruitland Formation, the existing and future production from the Tycksen #1 Well could be adversely affected.

(c) If communication or drainage takes place between the Tycksen #1 Well and the Gallegos Canyon Unit #391 Well, causing the shutting-in or significant production decrease of the Tycksen #1 Well, an already producing well, this may result in the Tycksen #1 Well not being able to resume production in the future.

(d) Plaintiff may also incur the costs and expenses of drilling a substitute well if Defendant damages the Howard Tycksen Pooled Unit #1 Well while completing or attempting to complete the Gallegos Canyon Unit #391 Well. The costs and expense of drilling and completing a substitute well are estimated to be \$150,000.

(e) Unless enjoined, Defendant as a trespasser will be placed in a preferred status; it will have an

unconscientious advantage over Plaintiff; thus penalizing Plaintiff who has clear title and has complied with the law; and Defendant will be unjustly enriched by its own wrong doing.

(f) It is impossible to calculate the injury and damage which may be done to the Tycksen #1 Well and to its ultimate recoverable resources if the Gallegos Canyon Unit #391 Well is completed.

(g) Unless enjoined, the Gallegos Canyon Unit #391 Well might ripen into a prescriptive right or drain the Plaintiff's Tycksen #1 Well from a common reservoir, thus decreasing the amount of gas production which Plaintiff would otherwise recover.

(h) Unless enjoined, Plaintiff will not be able to have an equal opportunity to produce the gas lying under the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., that she owns from the common gas reservoir (the Fruitland Formation) lying under these lands.

33. Defendant's actions have resulted in injuries and damages to Plaintiff, and they have been in bad faith, in a callous, reckless, conscious, and willful manner in total disregard for the right, title, and interest of Plaintiff, and she is entitled to actual and punitive damages to be determined at trial.

34. Plaintiff has been required to employ an attorney to

prosecute this action, and she is entitled to reasonable attorney's fees and costs of suit.

WHEREFORE Plaintiff prays for judgment against the Defendant as follows:

A. Determining that Defendant has committed and is continuing to trespass the subsurface of the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation;

B. Determining that Defendant's actions make it a bad faith trespasser.

C. That a Temporary Restraining Order be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein for a period of at least ten (10) days in order for the Plaintiff to protect her right, title, and interest to these unlawful, improper, unauthorized, and illegal acts of the Defendant as above stated.

D. That an Order to Show Cause be made to require the Defendant to appear before this Court on why a preliminary injunction should not be issued restraining and enjoining the

Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface to the base of the Pictured Cliffs Formation and any wells drilled or completed therein.

E. That a preliminary injunction be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein in order for the Plaintiff to protect, assert, and exercise her rights, privileges, and interests as above-stated during the pendency of this action.

F. That on final hearing, Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors be permanently restrained and enjoined from trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico.

G. Awarding the costs and expenses associated with drilling a substitute well, if needed, which costs are estimated to be \$150,000.

H. For any and all damages suffered by Plaintiff, actual, compensatory, and punitive, with regard to the actions of Defendant that were and are unlawful and without authority;

I. For attorney's fees and costs of suit; and

J. For such other relief as the Court deems just and proper.

COUNT II (Conversion)

35. Plaintiff realleges Paragraph Nos. 1 through 8 of the General Statement of Facts; and Paragraph Nos. 9 through 34 of Count I, and incorporates them by reference herein as if fully restated.

36. Defendant has taken possession or attempted to take possession of the Fruitland Formation underlying the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., and it has converted or attempted to convert the Fruitland Formation to its own use the right, title, interest and property of Plaintiff.

37. By reason of the foregoing, Plaintiff has been damaged to the extent Defendant has and continues to exercise dominion over, and converted or attempted to convert to its own use and benefit the Fruitland Formation underlying the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., which working interest and operating rights are the property of Plaintiff.

38. Unless Defendant is restrained and enjoined from asserting dominion over and converting such Formation to its own use and benefit, Plaintiff will suffer grave and irreparable injury.

39. Defendant's actions have resulted in injuries and damages to Plaintiff, and they have been in bad faith, in a callous, reckless, conscious, and willful manner in total disregard for the right, title, and interest of Plaintiff, and she is entitled to actual and punitive damages to be determined at trial.

40. Plaintiff has been required to employ an attorney to prosecute this action, and she is entitled to reasonable attorney's fees and costs of suit.

WHEREFORE Plaintiff prays for judgment against the Defendant as follows:

A. Determining that Defendant has exercised dominion over, and converted or attempted to convert to its own use and benefit the Fruitland Formation underlying the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan county, New Mexico.

B. Determining that Defendant has acted in bad faith.

C. That a Temporary Restraining Order be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their

own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein for a period of at least ten (10) days in order for the Plaintiff to protect her right, title, and interest to these unlawful, improper, unauthorized, and illegal acts of the Defendant as above stated.

D. That an Order to Show Cause be made to require the Defendant to appear before this Court on why a preliminary injunction should not be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface to the base of the Pictured Cliffs Formation and any wells drilled or completed therein.

E. That a preliminary injunction be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein in order for the Plaintiff to protect,

assert, and exercise her rights, privileges, and interests as above-stated during the pendency of this action.

F. That on final hearing, Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors be permanently restrained and enjoined from trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico.

G. Awarding the costs and expenses associated with drilling a substitute well, if needed, which costs are estimated to be \$150,000.

H. For any and all damages suffered by Plaintiff, actual, compensatory, and punitive, with regard to the actions of Defendant that were and are unlawful and without authority;

I. For attorney's fees and costs of suit; and

J. For such other relief as the Court deems just and proper.

COUNT III - (Negligence; Gross Negligence)

41. Plaintiff realleges Paragraph Nos. 1 through 8 of the General Statement of Facts; Paragraph Nos. 9 through 34 of Count I; Paragraph Nos. 35 through 40 of Count II, and incorporates them by reference herein as if fully restated.

42. Defendant has been negligent and grossly negligent in the following respects:

a. It proceeded to drill, or cause to be drilled, the Gallegos Canyon Unit #391 Well even though it knew or should have known that Plaintiff owned the working interest and operating rights from the surface down to the base of the Pictured Cliffs Formation in the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M.

b. It proceeded to drill, or caused to be drilled, the Gallegos Canyon Unit #391 Well even though it knew or should have known the surface down to the base of the Pictured Cliffs Formation in the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M. was not and had not been committed to the Gallegos Canyon Unit and the Fruitland Participating Area thereof.

c. It proceeded to drill, or cause to be drilled the Gallegos Canyon Unit #391 Well even though the wellhead location of the Gallegos Canyon Unit #391 Well was located approximately 130 feet from the wellhead of the Howard Tycksen Pooled Unit #1 Well, and approximately 100 feet from the production metering facilities of the Tycksen #1 Well; all of these wellheads and metering facilities being located on the same wellsite location pad in the NE/4 of Section 23.

d. It drilled or caused to be drilled the Gallegos Canyon Unit #391 Well even though the Howard Tycksen Pooled

Unit #1 Well was spud August 6, 1952; completed in the Fruitland Formation on October 22, 1952; first produced from the Fruitland Formation on April 19, 1954, and it has continued to produce from the Fruitland Formation to the present time (over 37 years).

43. As a direct, natural, and proximate cause of the negligence and gross negligence of Defendant in proceeding to drill or cause to be drilled the Gallegos Canyon Unit #391 Well without adequate precaution being taken to prevent injuries and damages to Plaintiff, which damages could have been foreseen by a reasonable person, Plaintiff has and will suffer serious damage.

44. Defendant acted in a callous, reckless, conscious, and willful manner in total disregard for the right, title, and interest of Plaintiff, and Plaintiff is entitled to actual and compensatory damages and punitive damages in an amount to be determined at trial.

45. Plaintiff has been required to employ an attorney to prosecute this action, and she is entitled to reasonable attorney's fees and costs of suit.

WHEREFORE Plaintiff prays for judgment against the Defendant as follows:

A. Determining that Defendant has been negligent and grossly negligent in drilling or causing to be drilled the

Gallegos Canyon Unit #391 Well in the NE/4 of Section 23, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

B. That a Temporary Restraining Order be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein for a period of at least ten (10) days in order for the Plaintiff to protect her right, title, and interest to these unlawful, improper, unauthorized, and illegal acts of the Defendant as above stated.

C. That an Order to Show Cause be made to require the Defendant to appear before this Court on why a preliminary injunction should not be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface to the base of the Pictured Cliffs Formation and any wells drilled or completed therein.

D. That a preliminary injunction be issued restraining

and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein in order for the Plaintiff to protect, assert, and exercise her rights, privileges, and interests as above-stated during the pendency of this action.

E. That on final hearing, Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors be permanently restrained and enjoined from trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico.

F. Awarding the costs and expenses associated with drilling a substitute well, if needed, which costs are estimated to be \$150,000.

G. For any and all damages suffered by Plaintiff, actual, compensatory, and punitive, with regard to the actions of Defendant that were and are unlawful and without authority;

H. For attorney's fees and costs of suit; and

I. For such other relief as the Court deems just and proper.

COUNT IV (Slander of Title)

46. Plaintiff realleges Paragraph Nos. 1 through 8 of the General Statement of Facts; Paragraph Nos. 9 through 34 of Count I; Paragraph Nos. 35 through 40 of Count II; Paragraph Nos. 41 through 45 of Count III, and incorporates them by reference herein as if fully restated.

47. Defendant has filed two applications with the New Mexico Oil Conservation Division for orders pooling all interests in the Fruitland Formation underlying the E/2 of Section 23, T-29-N, R-13-W, N.M.P.M. (Gallegos Canyon Unit #391 Well), and the W/2 of Section 23, T-29-N, R-13-W, N.M.P.M. (Gallegos Canyon Unit #390 Well). Copies of these applications are attached hereto as Exhibits "C-1" and "C-2", respectively, and incorporated herein by reference.

48. These two applications have been assigned Case Nos. 10345 and 10346, and were heard on July 25, 1991 before an examiner of the New Mexico Oil Conservation Division at the State Land Office in Santa Fe, New Mexico.

49. As a result of the filing of these applications, Defendant has published an injurious falsehood concerning Plaintiff's right, title, and interest in the Fruitland Formation underlying the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M.

50. Defendant has no bona fide nor reasonable belief in the title it claims, if any, to the Fruitland Formation in the

N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., and it has no color of title to Plaintiff's property.

51. The drilling of the Gallegos Canyon Unit #390 and #391 Wells and the filing of these two force pooling applications constitutes a willful and reprehensible action, conducted in a spirit of mischief and indicative of malice and the wanton and willful disregard of the rights of Plaintiff.

52. Upon information and belief Defendant claims it has the right to drill on the Helen Zimmerman et vir. Oil and Gas Lease dated February 20, 1947 (See #5c above) because Stanolind Oil and Gas Company committed this lease to the Gallegos Canyon Unit on March 20, 1951, the date Stanolind executed the Gallegos Canyon Unit Agreement.

53. At the time Stanolind Oil and Gas Company committed this lease to the Gallegos Canyon Unit, the lessors of this lease, Helen Zimmerman and R. J. Zimmerman, refused to ratify and join the Gallegos Canyon Unit, and there was no pooling clause in the oil and gas lease authorizing Stanolind to pool their interest to the Gallegos Canyon Unit.

54. Drilling of the Tycksen #1 Well was commenced on August 6, 1952, and on November 24, 1952 the United States Geological Survey of the U. S. Department of Interior, recognized the Tycksen #1 Well offset, and was not part of, the Gallegos Canyon Unit. See memorandum dated November 24, 1952

from the District Engineer of the U. S. Geological Survey, Farmington, New Mexico, to the Oil & Gas Supervisor, U. S. Geological Survey, Roswell, New Mexico, a copy of which is attached hereto as Exhibit "D", and incorporated herein by reference.

55. On January 23, 1953 Stanolind Oil and Gas Company, Earl A. Benson et ux., and Wm. V. Montin assigned all of their right, title, and interest in the Helen Zimmerman et vir. Oil and Gas Lease to Lloyd D. Locke and Lloyd B. Taylor d/b/a Locke-Taylor Drilling Company from the surface to the base of the Pictured Cliffs Formation in an Assignment filed in Book 224, Page 107 of the records of San Juan County, New Mexico. A copy of this Assignment is attached hereto as Exhibit "E" and incorporated herein by reference.

56. In this January 23, 1953 Assignment, Stanolind, Benson, and Montin recognized in Paragraph No. 8 that Helen Zimmerman et vir. had refused to execute the Gallegos Canyon Unit Agreement, and that there was a question whether the Zimmerman lease was or was not committed to the Gallegos Canyon Unit.

57. On October 1, 1954 Helen Zimmerman et vir. executed an Amendment to Oil and Gas Lease wherein a pooling clause was added to their February 20, 1947 oil and gas lease, which Amendment to Oil and Gas Lease was filed in Book 262, Page 140 of the records of San Juan County, New Mexico. A copy of this

Amendment to Oil and Gas Lease is attached hereto as Exhibit "F", and incorporated herein by reference.

58. The Amendment to Oil and Gas Lease recognized Locke-Taylor Drilling Co., Stanolind Oil and Gas Company, and Benson & Montin as the owners of the Helen Zimmerman et vir. Oil and Gas Lease, and provided that each of these parties at their option could pool and unitize all or any part of the leased lands as well as any one or more of the formations thereunder without the joinder of Helen Zimmerman et vir.; and in the event these parties did exercise their option to pool such lands, and lease, then an instrument identifying and describing such unit shall be executed in writing and filed in the records of San Juan County, New Mexico.

59. The Pooling Designation attached hereto as Exhibit "A" and filed on February 9, 1955 in Book 270, Page 23 of the records of San Juan County, New Mexico, was the exercise of the option by Locke-Taylor Drilling Company, Stanolind Oil and Gas Company, Earl A. Benson, and William V. Montin as the owners of the Helen Zimmerman et vir. Oil and Gas Lease to pool and unitize all of the oil and gas leases in the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., for the Tycksen #1 Well and all formations from the surface to the base of the Pictured Cliffs Formation on a 320 acre unit basis and not on the Gallegos Canyon Unit basis.

60. In the two applications filed with the New Mexico Oil Conservation Division, Defendant is attempting to pool the W/2 of Section 23, to form the proration unit for the Gallegos Canyon Unit #390 Well, and the E/2 of Section 23 to form the proration unit for the Gallegos Canyon Unit #391 Well.

61. Defendant has no reasonable basis to form these E/2 and W/2 proration units other than for its own pecuniary gain since the previous proration units established for Section 23, T-29-N, R-13-W, N.M.P.M. have been on a N/2 and S/2 basis for formations from the surface to the base of the Pictured Cliffs Formation and for the Dakota Formation.

62. Defendant cannot and could not have honestly believed in the possible validity of its actions in drilling, or causing to be drilled, and attempts to pool the Gallegos Canyon Unit #390 and #391 Wells.

63. Defendant has made false and injurious statements regarding the title of Plaintiff, the Tycksen #1 Well, and the Gallegos Canyon Unit #390 and #391 Wells, and the right to drill, explore, develop, and operate these Wells.

64. By its actions Defendant has caused Plaintiff specific pecuniary loss, injury and damage by its actions; such loss, injury, and damage to be proved at trial, but which include a decrease in the value of Plaintiff's property for exploration and development purposes.

65. Defendant has willfully interfered, taken and appropriated, or will willfully interfere, take and appropriate, the opportunity of Plaintiff to explore and develop oil and gas production; thus destroying the lease value or speculative value of Plaintiff's property.

66. Plaintiff's property has also declined in value, been injured and damaged by Defendant's actions for the property which Defendant is wrongfully in possession (the Gallegos Canyon Unit #391 Well) or is wrongfully claiming exploration and development rights (the drilling of the Gallegos Canyon Unit #390 Well).

67. Defendant has wrongfully obtained and acquired geological information, and there is a disparagement of the quality of the oil and gas of Plaintiff pertaining to the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., resulting in the depreciation or destruction of the value of Plaintiff's property.

68. Plaintiff has been deprived of the opportunity and right and possibility of extracting oil and gas by exploration or development underlying the lands and formations that she owns; and she has received no benefit from Defendant's actions.

69. Defendant acted in a callous, reckless, conscious, and willful manner in total disregard for the right, title, and interest of Plaintiff, and Plaintiff is entitled to actual and

compensatory damages and punitive damages in an amount to be determined at trial.

70. Plaintiff has been required to employ an attorney to prosecute this action, and she is entitled to reasonable attorney's fees and costs of suit.

WHEREFORE Plaintiff prays for judgment against the Defendant as follows:

A. Determining that Defendant has acted in a malicious manner and has slandered the title of Plaintiff in the Fruitland Formation of the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico.

B. That a Temporary Restraining Order be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from slandering Plaintiff's title, trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein for a period of at least ten (10) days in order for the Plaintiff to protect her right, title, and interest to these unlawful, improper, unauthorized, and illegal acts of the Defendant as above stated.

C. That an Order to Show Cause be made to require the Defendant to appear before this Court on why a preliminary injunction should not be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from slandering Plaintiff's title, trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface to the base of the Pictured Cliffs Formation and any wells drilled or completed therein.

D. That a preliminary injunction be issued restraining and enjoining the Defendant and its servants, representatives, agents, employees, contractors, attorneys, and subcontractors from slandering Plaintiff's title, trespassing upon and converting to their own use, control, and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico from the surface down to the base of the Pictured Cliffs Formation and any wells drilled or completed therein in order for the Plaintiff to protect, assert, and exercise her rights, privileges, and interests as above-stated during the pendency of this action.

E. That on final hearing, Defendant and its servants, representatives, agents, employees, contractors, attorneys, and

subcontractors be permanently restrained and enjoined from slandering Plaintiff's title, trespassing upon and converting to their own use, control and dominion the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico.

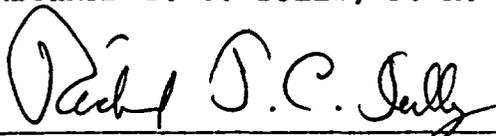
F. Awarding the costs and expenses associated with drilling a substitute well, if needed, which costs are estimated to be \$150,000.

G. For any and all damages suffered by Plaintiff, actual, compensatory, and punitive, with regard to the actions of Defendant that were and are unlawful and without authority;

H. For attorney's fees and costs of suit; and

I. For such other relief as the Court deems just and proper.

RICHARD T. C. TULLY, P. A.



Richard T. C. Tully, Esq.
Attorney for Plaintiff
P. O. Box 268
Farmington, NM 87499-0268
(505) 327-3388

CERTIFICATION

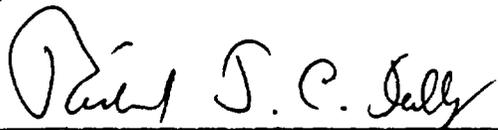
I, Richard T. C. Tully, Esq., hereby certify that:

1. The Defendant has been previously notified of the possible filing of this Complaint.

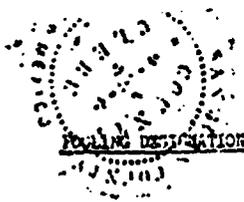
2. That attempts were made to contact the Defendant and its apparent New Mexico attorney immediately prior to the filing of this Complaint, and they were advised that the Plaintiff would file for the issuance of a Temporary Restraining Order before 5:00 p.m. on July 22, 1991.

3. That notice to Defendant should not be required because the actions of Defendant must be enjoined on or before July 22, 1991 or Defendant's unreasonable and improper actions as described in the Complaint will have occurred, and Plaintiff will have little if no adequate remedy at law or otherwise for the harm or damage if Defendant attempts to complete or completes the Gallegos Canyon Unit #391 Well in the Fruitland Formation before notice to Defendant can be given.

DATED this 22nd day of July, 1991.



Richard T. C. Tully, Esq.



8:37
1951
of the County Clerk and Recorder
of San Juan County, New Mexico
Lloyd D. Locke
County Clerk and Recorder

WHEREAS, Lloyd D. Locke and Lloyd B. Taylor, doing business under the name and style of Locke-Taylor Drilling Company, of Farmington, New Mexico, are the owners and holders of that certain oil and gas lease executed and delivered by William S. Allen and Helva J. Allen, husband and wife, and Ula Allen, a widow, lessors, dated and executed December 13, 1951, reference to which is more particularly made in that certain instrument recorded in Book 186 at page 178 of the records in the office of the County Clerk and Recorder of San Juan County, New Mexico, covering and embracing the following described land situated in said San Juan County, to-wit:

The NW $\frac{1}{4}$, Sec. 23, Twp. 29N, Rge. 13W, N.M.P.M., containing 160 acres, more or less; and,

WHEREAS, the said Lloyd D. Locke and Lloyd B. Taylor, doing business under the name and style of Locke-Taylor Drilling Company, of Farmington, New Mexico, are the owners and holders of that certain oil and gas lease executed and delivered by John A. Lee and Elinore K. Lee, husband and wife, lessors, to Lloyd D. Locke and Lloyd B. Taylor, which said lease is recorded in Book 192 at Page 161 of the public records in the office of the County Clerk and Recorder of San Juan County, New Mexico, covering and embracing the following described lands situated in San Juan County, New Mexico, to-wit:

Beginning at a point on the North line of Sec. 23, 40 rods E. from the NE $\frac{1}{4}$ corner of the NW $\frac{1}{4}$ of said section, thence S. 746.8 feet, thence E. 770 feet, thence N. 746.8 feet, thence W. 770 feet, to place of beginning, all in Twp. 29N, Rge. 13W, N.M.P.M., containing 12 acres, more or less; and,

WHEREAS, Lloyd D. Locke and Lloyd B. Taylor, doing business under the name and style of Locke-Taylor Drilling Company, of Farmington, New Mexico, are the owners and holders of that certain oil and gas lease executed and delivered by Helen Zimmerman and E. J. Zimmerman, husband and wife, on February 20, 1947, to Charles Newbold, trustee, New Mexico, which said lease is recorded in Book 125 and Page 153 of the public records of San Juan County, New Mexico, and which said lease was assigned to said Lloyd D. Locke

APR 17 1953

23-A

and Lloyd B. Taylor, dba Locke-Taylor Drilling Company, insofar as said lease pertains to and covers the oil and gas and petroleum products to and including the Pictured Cliffs formation and all other geological formations lying and being lesser in depth than the Pictured Cliffs formation, covering the following described land situate in the County of San Juan, New Mexico, to-wit:

The $\frac{1}{2}$ of the NE $\frac{1}{4}$, the SW $\frac{1}{4}$ of the NE $\frac{1}{4}$ and 13 acres in the south part of the NW $\frac{1}{4}$ of the NE $\frac{1}{4}$, all in Sec. 23, Twp. 29N, Rge. 13W, N.M.P.M., containing 133 acres, more or less; and

WHEREAS, B. E. Dustin and Ruth Dustin, husband and wife, and Louis Dustin, a widow, executed and delivered to Earl A. Benson and William V. Montin, of Oklahoma City, Oklahoma, that certain oil and gas lease dated the 21st day of April, 1951, which said lease is recorded in Book 175 at Page 137 of the Public records in the office of the County Clerk and Recorder of San Juan County, New Mexico, and the said Earl A. Benson and William V. Montin, joined by their respective wives, executed and delivered to Lloyd D. Locke and Lloyd B. Taylor, doing business under the name and style of Locke-Taylor Drilling Company, of Farmington, New Mexico, an assignment of the aforesaid oil and gas lease to and including the Pictured Cliffs formation and any and all geological formations situated at a lesser depth than the Pictured Cliffs formation, as to the following described lands situate and being in San Juan County, New Mexico, to-wit:

Beginning at the NW corner of the NE $\frac{1}{4}$ of Sec. 23, Twp. 29N, Rge. 13W, N.M.P.M., thence South 60 rods; thence east 40 rods; thence North 60 rods; thence West 40 rods to the place of beginning, containing 13 acres, more or less; and,

WHEREAS, it is specifically provided in each of the aforesaid oil and gas leases, or amendments thereto, that the owners of said respective oil and gas leases at any time, and from time to time, may pool or unitize all or any part or parts of the lands embraced in said respective

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leases, as is more particularly set out in said respective leases; and the said Lloyd D. Locke and Lloyd B. Taylor, doing business under the name and style of Locke-Taylor Drilling Company, joined by Stanolind Oil and Gas Company, a corporation, and joined by said Earl A. Benson and William V. Montin, joined by their respective wives, have elected to pool or unitize all of the lands embraced in said several respective leases under a unitized drilling unit, embracing the $\frac{1}{2}$ of Sec. 23, Twp. 29N, Rge. 13W, N.M.P.M., to conform with the spacing rules and regulations provided by the Oil Conservation Commission of the State of New Mexico.

NOW, THEREFORE, we, the said Lloyd D. Locke and Lloyd B. Taylor doing business under the name and style of Locke-Taylor Drilling Company, of Farmington, New Mexico, and said Stanolind Oil and Gas Company, a corporation, and joined by said Earl A. Benson and William V. Montin, so by these presents unitize and pool all and singular the lands embraced in said respective oil and gas leases, as hereinabove more particularly described, into one drilling unit and acreage pool for the purpose of operating and drilling, producing and marketing ~~oil~~, gas, and hydrocarbon substances from the said lands embraced in said above mentioned leases, embracing and covering all and singular the following described lands situate in San Juan County, New Mexico, as one drilling unit or pool, to-wit:

J.P.
C.P.
W.V.M.
E.A.B.

The $\frac{1}{2}$ of Sec. 23, Twp. 29N, Rge. 13W, N.M.P.M., containing 100 acres, more or less.

PROVIDED, HOWEVER, that this Pooling Designation and Declaration shall apply to and be binding upon said Stanolind Oil and Gas Company, a corporation, and Earl A. Benson and William V. Montin as embracing and pertaining to only those geological formations lying in and above the Pictured Cliffs formation.

23: C

Gas Company, a corporation, and said Earl A. Benson and William V. Montin, that all of the production of gas and hydrocarbon substances produced and saved from any and all wells drilled on the said hereinabove described lands be, and they hereby are unitized and pooled under one unit of lands, provided, however, that such unitization shall apply only to the Pictured Cliffs formation and other formations of lesser depth or depths than the Pictured Cliffs formation insofar as the same pertains to said lands embraced in the aforesaid lease to said Stanolind Oil and Gas Company, a corporation, and the lands embraced in said lease to Earl A. Benson and William V. Montin, more particularly hereinabove described.

IN WITNESS WHEREOF, the said Lloyd D. Locke and Lloyd B. Taylor have hereunto set their hands this 20 day of Sept, 1953, and said Stanolind Oil and Gas Company, a corporation, has caused its name to be hereto subscribed and attested by its duly authorized and acting officials, this 14th day of October, ¹⁹⁵⁴ 1953, and said Earl A. Benson and William V. Montin have hereunto set their hands this 30th day of October, 1953.

Lloyd D. Locke
LLOYD D. LOCKE

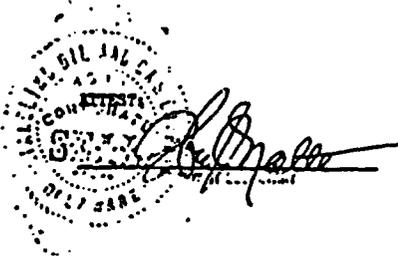
Lloyd B. Taylor
LLOYD B. TAYLOR

AND
STANOLIND OIL & GAS COMPANY
BY: Carl A. Benson
ATTORNEY-IN-FACT

APPROVED
1953

Earl A. Benson
EARL A. BENSON

William V. Montin
WILLIAM V. MONTIN



9.3.25

STATE OF COLORADO }
COUNTY OF LA PLATA } SS.

On this 30th day of September, 1953, before me personally appeared Lloyd D. Locke, to me known to be the person named in and who signed the foregoing instrument, and he acknowledged that he signed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above in this certificate written.



Jay M. Coon

My Commission Expires:

July 25 1956

STATE OF COLORADO }
COUNTY OF LA PLATA } SS.

On this 30th day of September, 1953, before me personally appeared Lloyd B. Taylor, to me known to be the person named in and who signed the foregoing instrument, and he acknowledged that he signed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above in this certificate written.



Jay M. Coon

My Commission Expires:

July 25 1956

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STATE OF TEXAS }
COUNTY OF TARRANT } SS.

On this 14th day of December, ^{M: 7} 1955, before me
appeared C. F. Redburn, to me personally known,
who, being by me duly sworn did say that he is the Attorney in Fact
of Stanolind Oil and Gas Company, and that the seal affixed to said
Instrument is the corporate seal of said corporation and that said
instrument was signed and sealed in behalf of said corporation by
authority of its board of directors, and said C. F. Redburn
acknowledged said instrument to be the free act and deed of said
corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
seal on this, the day and year first above written.

C. F. Redburn
Notary Public in and for
Tarrant County, Texas



My Commission Expires:

6-2-56

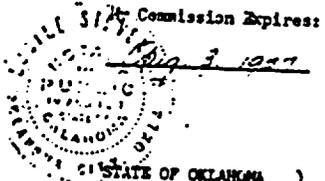
23-3

STATE OF OKLAHOMA)
) SS.
COUNTY OF OKLAHOMA)

On this 30th day of October, 1953, before me personally appeared Earl A. Benson, to me known to be the person named in and who signed the foregoing instrument, and he acknowledged that he signed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above in this certificate written.

Lucile Stevenson
Notary Public



STATE OF OKLAHOMA)
) SS.
COUNTY OF OKLAHOMA)

On this 30th day of October, 1953, before me personally appeared William V. Montin, to me known to be the person named in and who signed the foregoing instrument, and he acknowledged that he signed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above in this certificate written.

Lucile Stevenson
Notary Public



AFFIDAVIT OF EWELL N. WALSH, P.E.

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

EWELL, N. WALSH, being duly sworn, deposes and says:

1. I am the President of Walsh Engineering & Production Corp., a New Mexico corporation, which provides consulting petroleum engineering services, and other oilfield related services, and have been so employed since January 1, 1967.

2. I graduated from Louisiana State University in 1953 with a Bachelor of Science Degree in Petroleum Engineering, and thereafter I have worked full-time in the oil and gas industry in the Rocky Mountain area, principally in the San Juan Basin, New Mexico, since February, 1953. I am a licensed professional engineer in the states of New Mexico, Arizona, Utah, and Colorado.

3. As a petroleum engineer I have the duties and responsibilities of designing, planning, and supervising all work for the drilling, equipping, completing, producing, operating, and reworking of oil or gas wells, from the wellsite selection through production and operation of such wells. Additionally, I have also planned the reworking or recompleting of existing wells in order to regain or increase oil, gas, and associated hydrocarbon production.

4. Walsh Engineering & Production Corp., a New Mexico corporation, of which I am President has been employed by Louise Y. Locke d/b/a Locke-Taylor Drilling Company to assist

EXHIBIT "B"

in the evaluation of the Howard Tycksen Pooled Unit No. 1 Well and the Gallegos Canyon Unit No. 391 Well to determine the possible ultimate recoverable reserves therefrom; and the possible effect the completion activities of the Gallegos Canyon Unit No. 391 Well may have on the Tycksen No. 1 Well.

5. In my professional and expert opinion, if the Gallegos Canyon Unit #391 Well is completed, and is stimulated by a fracture method in the Fruitland coal interval, then due to the small distance between the well bores of the two wells, there is a good probability that damage will occur to the producing interval of the Tycksen No. 1 Well. If this should occur, the costs and expenses of a substitute well will be approximately \$150,000.

6. I cannot accurately estimate at this time the additional costs and expenses it will take to replace the Howard Tycksen Pooled Unit No. 1 Well to maintain production from the producing interval.

7. Irreparable injury to this well may result from communication and subsequent damage due to the stimulation of the proposed coal interval in the Gallegos Canyon Unit No. 391 Well.

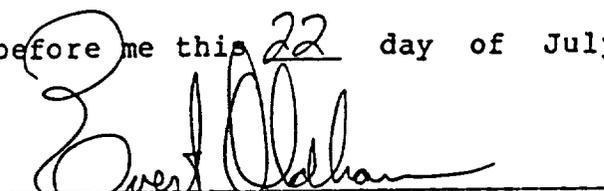
8. The potential damage to the producing formation of the Tycksen No. 1 Well upon stimulation of the coal interval in the Gallegos Canyon Unit No. 391 Well could prevent the Tycksen

No. 1 Well from recovering gas reserves that would normally be produced from the producing formation.

FURTHER Affiant sayeth naught.


Ewell N. Walsh

SUBSCRIBED AND SWORN to before me this 22 day of July, 1991.


Notary Public

My commission expires:

September 9, 1991

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED

APPLICATION OF BHP PETROLEUM
(AMERICAS) INC. FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

JUN 13 1991

No. _____
OIL CONSERVATION DIVISION

APPLICATION

BHP Petroleum (Americas) Inc. hereby makes application for an order pooling all interests in the Basin-Fruitland Coal Gas Pool underlying the E $\frac{1}{2}$ of Section 23, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the E $\frac{1}{2}$ of said Section 23.
2. Applicant has drilled its Gallegos Canyon Unit Well No. 391 in the NE $\frac{1}{4}$ of Section 23, and intends to complete the well in the Basin-Fruitland Coal Gas Pool.
3. Applicant has dedicated the E $\frac{1}{2}$ of Section 23 to the well.
4. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the E $\frac{1}{2}$ of Section 23 for the purposes set forth herein.
5. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, an interest owner has failed or refused to join in dedicating her acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the E $\frac{1}{2}$ of

Section 23, as described above, pursuant to N.M. Stat. Ann. §70-2-17 (1987 Repl.).

6. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

7. The pooling of all interests underlying the E½ of Section 23, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: 6/13/91.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By James Bruce
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED

APPLICATION OF BHP PETROLEUM
(AMERICAS) INC. FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW
MEXICO.

JUN 13 1991

OIL CONSERVATION DIVISION

APPLICATION

BHP Petroleum (Americas) Inc. hereby makes application for an order pooling all interests from the in the Basin-Fruitland Coal Gas Pool underlying the $W\frac{1}{2}$ of Section 23, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the $W\frac{1}{2}$ of said Section 23.
2. Applicant has drilled its Gallegos Canyon Unit Well No. 390 in the $SW\frac{1}{4}$ of Section 23, and intends to complete the well in the Basin-Fruitland Coal Gas Pool.
3. Applicant has dedicated the $W\frac{1}{2}$ of Section 23 to the well.
4. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the $W\frac{1}{2}$ of Section 23 for the purposes set forth herein.
5. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, an interest owner has failed or refused to join in dedicating her acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the $W\frac{1}{2}$ of

Section 23, as described above, pursuant to N.M. Stat. Ann. §70-2-17 (1987 Repl.).

6. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

7. The pooling of all interests underlying the $W\frac{1}{2}$ of Section 23, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: 6/13/91.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By James Bruce

James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

Oil & Gas Supervisor, Roswell, New Mexico

November 21, 1952

District Engineer, Farmington, New Mexico

Gallegos Canyon Unit, I-Sec. No. 844, and Rincon Unit, I-Sec. No. 916 -
effects and non-unit wells within unit areas.

Attached plats show wells affecting the subject units with the initial
production of the wells. The attached list gives the operator, well name and
number, location and tie-in or first delivery date.

P. T. McGrath

P. T. McGrath:jhb

Encl: Attached list of units I-Sec. No. 844 and
No. 916 (Non-unit wells).

Operator:

Bay Petroleum Co.
Benson & Montin, Inc.

Well Number & Name:

"	"	#1 Gallow
"	"	#1 Kally
"	"	#1 Payne
"	"	#2 "
"	"	#6 "
"	"	#7 "
"	"	#8 "
"	"	#2 Rhodes
"	"	#5 Thompson
"	"	#7 "
"	"	#3 "
"	"	#2 Hartman
James D. Hancock & Co. Ltd.	#1 Hancock	
Lochin & Taylor	#1 York	
"	#1 Trepton	
Lowry et al. Oper. Asst.	#1-111 Donnell	
"	#8-36	
"	#9-37	
"	#1-113	
"	#1-112	
Robert Head #1-D Scott	#1-D Scott	

Location:

SE	sec.	27	T.	29	N.	R.	13	W.
NE	sec.	4	T.	27	N.	R.	12	W.
NE	sec.	36	T.	28	N.	R.	12	W.
NW	sec.	36	T.	28	N.	R.	12	W.
NW	sec.	35	T.	28	N.	R.	12	W.
SW	sec.	35	T.	28	N.	R.	12	W.
SE	sec.	36	T.	28	N.	R.	12	W.
SW	sec.	31	T.	28	N.	R.	11	W.
NW	sec.	3	T.	27	N.	R.	12	W.
SW	sec.	3	T.	27	N.	R.	12	W.
SE	sec.	3	T.	27	N.	R.	12	W.
NW	sec.	2	T.	27	N.	R.	12	W.
NE	sec.	3	T.	27	N.	R.	12	W.
NW	sec.	5	T.	27	N.	R.	12	W.
NE	sec.	23	T.	29	N.	R.	13	W.
SW	sec.	34	T.	27	N.	R.	6	W.
NE	sec.	5	T.	26	N.	R.	6	W.
SW	sec.	5	T.	26	N.	R.	6	W.
SW	sec.	13	T.	26	N.	R.	7	W.
SW	sec.	14	T.	26	N.	R.	7	W.
NW	sec.	5	T.	26	N.	R.	6	W.
SE	sec.	14	T.	26	N.	R.	7	W.

Month or first delivery date:

Not Producing	
11-14-52	
10-13-52	
9-21-52	
9-18-52	
9-18-52	
9-18-52	
10-13-52	
2-28-52	
4-1-52	
1-5-52	
1-6-52	
7-18-52	
3-28-52	
Not Producing	
Well tie-in week of Nov. 24.	

STATE OF NEW MEXICO, County of San Juan SS. 107
I hereby certify that a true and correct copy of the
original of this instrument was filed for record
on October 1, 1947, at 2:11 P.M. in the
office of the County Clerk, San Juan County,
New Mexico.
J. J. Kettell
County Clerk and ex-officio Recorder

THE STATE OF NEW MEXICO |
COUNTY OF SAN JUAN |

ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

That, in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation, and EARL A. BENSON and WM. V. MONTIN (hereinafter referred to as "Assignors"), do hereby bargain, sell, assign, transfer and convey unto LLOYD D. LOCKE and LLOYD B. TAYLOR, doing business as and under the name of Locke-Taylor Drilling Company, their respective heirs and assigns (hereinafter referred to as "Assignees"), all of the Assignors' right, title and interest in and to the following described oil, gas and mineral lease, covering land situated in San Juan County, New Mexico, to wit:

(Stanolind Lease No. 74463)

Lessor: Helen Zimmerman and R. J. Zimmerman, her husband
Lessee: Charles Newbold
Dated: February 20, 1947
Recorded: Volume 125, at Page 153, Records of San Juan
County, New Mexico

Insofar as said lease covers the following described land in said County and State, to wit:

The East Half of the Northeast Quarter (E/2 of NE/4), the Southwest Quarter of the Northeast Quarter (SW/4 of NE/4), and 13 acres in the South part of the Northwest Quarter of the Northeast Quarter of Section 23, T-29-N, R-13-W,
FROM THE SURFACE THEREOF DOWN TO THE BASE OF THE PICTURED CLIFFS FORMATION

(said lease and land above described as to the depth hereinabove specified, being sometimes hereinafter referred to as the "lease acreage"), subject to the following terms, covenants and conditions:

1. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto themselves, their respective successors, heirs and assigns, in the proportion of one half (1/2) to Stanolind Oil and Gas Company, one fourth (1/4) to Earl A. Benson, and one fourth (1/4) to Wm. V. Montin, the following overriding royalty:

107-A

(a) Five percent of eight-eighths (5% of $8/8$) of all oil, distillate, condensate and other liquid hydrocarbons produced and saved from said lease acreage under said lease, or any extensions or renewals thereof, which shall be delivered free of all cost and expense, except taxes on production, at the well or wells on said lease acreage or, at the Assignors' option, to the credit of the Assignors into the pipe line to which said well or wells may be connected;

(b) Five percent of eight-eighths (5% of $8/8$) of all gas and casing-head gas produced and saved from said lease acreage under said lease, or any extensions or renewals thereof, the market value (at the well) of which shall be paid to the Assignors free of all cost and expense, except taxes on production.

2. In addition to the foregoing overriding royalty and to any other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignors hereby except and reserve unto themselves, their respective successors, heirs and assigns, in the proportion of one half ($1/2$) to Stanolind Oil and Gas Company, one fourth ($1/4$) to Earl A. Benson, and one fourth ($1/4$) to Wm. V. Montin, five percent of eight-eighths (5% of $8/8$) of all the oil, distillate, condensate, gas, casinghead gas and other hydrocarbon substances produced and saved from said lease acreage under said lease, or any extension or renewal thereof, until the Assignors, their successors, heirs or assigns, shall have received therefrom, free of all costs, expenses and charges for development and operations, the net total sum of One Thousand Nine Hundred Ninety Five Dollars (\$1,995.00) in excess of taxes on production; provided, that, at the option of the Assignors, the above specified portion of said production, or any of it, shall be delivered to the Assignors free of said costs, expenses and charges at the well or wells on said lease acreage or, at the Assignors' option, to the credit of the Assignors into the pipe line to which said well or wells may be connected.

3. With respect to the overriding royalty and production payment herein excepted and reserved by the Assignors, the Assignors and the Assignees agree, as follows:

(a) That oil and gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty and said production payment are computed.

(b) That the Assignees shall furnish to the Assignors authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.

4. As to any wells drilled on said lease acreage by the Assignees after the delivery of this assignment, the Assignees shall give the Assignors access to said wells and the derrick floor at all reasonable times and, upon request of the Assignors, shall furnish to the Assignors well samples of all cores and cuttings consecutively taken, unless the Assignors themselves elect to take such samples; and, at the request of the Assignors, the Assignees shall furnish to the Assignors copies of any electrical well formation surveys made.

5. In the event that the Assignees should elect to surrender, let expire, abandon or release all or any of their rights in said lease acreage, or any part thereof, the Assignees shall notify the Assignors not less than sixty (60) days in advance of such surrender, expiration, abandonment or release and, if requested so to do by the Assignors, the Assignees immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignors.

6. This assignment is made subject to all the terms and the express and implied covenants and conditions of the above described lease, insofar as it covers the said lease acreage, which terms, covenants and conditions the Assignees hereby assume and agree to perform with respect to the said lease acreage. Said terms, covenants and conditions, insofar as the said lease acreage is concerned, shall be binding on the Assignees, not only in favor of the lessors and their heirs and assigns, but also in favor of the Assignors and their successors, heirs and assigns.

7. This assignment is made without warranty of any kind.

8. Assignors have heretofore, as owners of the aforesaid lease, executed that certain Unit Agreement for the Development and Operation of the Gallegos Canyon Area dated November 1, 1950, formed under the Act of Congress approved February 25, 1920, wherein Earl A. Benson and Wm. V. Montin are named Unit Operators, and Assignors have also executed that certain Unit Accounting Agreement under said Unit Agreement dated January 15, 1951. The land covered by said lease is within the boundaries of the unit area of said Unit Agreement, but is not yet within any participating area formed or designated thereunder. The lessors of said lease have

107-6

refused to execute said Unit Agreement. Assignors make no representation or warranty as to whether the said lease acreage is or is not committed to or affected by said Unit Agreement or Unit Accounting Agreement by reason of the execution by Assignors of the instruments above referred to, or either of them, and Assignees accept this Assignment without prejudice to their right to contend that the lease acreage herein assigned is acquired free from the provisions of said Unit Agreement and Unit Accounting Agreement, but in the event said lease acreage shall be found to be subject to the terms of said agreements, Assignees accept said lease acreage subject to all the terms and provisions of said agreements.

9. All notices, reports and other communications required or permitted hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignors and Assignees, respectively, as follows:

Assignors:

Stanolind Oil and Gas Company
Oil and Gas Building
P. O. Box 1410
Fort Worth, Texas

Benson-Montin
316 Petroleum Building
Oklahoma City, Oklahoma

Assignees:

Locke-Taylor Drilling Company
407 North Allen
Farmington, New Mexico

10. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of the Assignors and Assignees, the successors and assigns of Stanolind Oil and Gas Company, and the respective heirs, administrators, executors, devisees, representatives and assigns of the other parties hereto; and such terms, covenants and conditions shall be covenants running with the land above described and the lease acreage herein assigned and with each transfer or assignment of said land or lease acreage.

TO HAVE AND TO HOLD said lease acreage unto the Assignees, their respective heirs and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED THIS 23rd day of January, ¹⁹⁵³~~1952~~.

BENSON
W. M. MORTIN
W. M. MORTIN

Earl A. Benson
EARL A. BENSON
W. V. MORTIN

ATTEST:
[Signature]
Assistant Secretary

STANOLIND OIL AND GAS COMPANY
[Signature]
Attorney in Fact

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 1953, before me personally appeared EARL A. BENSON and wife, _____, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal on this _____ day and year first above written.

[Signature]
Notary Public in and for
_____ County, _____

My Commission Expires:

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 1953, before me personally appeared W. V. MORTIN and wife, _____, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal on this _____ day and year first above written.

[Signature]
Notary Public in and for
_____ County, _____

My Commission Expires:

107-E

THE STATE OF TEXAS |

COUNTY OF TARRANT |

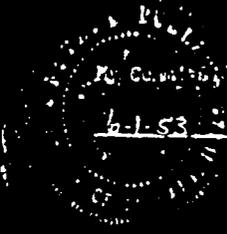
On this 23rd day of Jan, ¹⁹⁵³ ~~1952~~ before me appeared C. J. Redford, to me personally known, who, being by me duly sworn did say that he is the Attorney in fact of Stanolind Oil and Gas Company, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said C. J. Redford acknowledged said instrument to be the free act and deed of said corporation.

In WITNESS WHEREOF, I have hereunto set my hand and affixed my seal on this, the day and year first above written.

Marshall E. Pickens
Notary Public in and for
Tarrant County, Texas

My Commission Expires:

6-1-53



STATE OF NEW MEXICO)
COUNTY OF SAN JUAN)

I hereby certify that the foregoing

Assignment

is a true copy of the original on file in my
said office this 22nd day of

July 1991

Christ Bandet
Notary Public
New Mexico, Deputy

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STATE OF NEW MEXICO, County of San Juan
I hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of said County.

AMENDMENT TO OIL AND GAS LEASE

Virginia K. K. Hill
County Clerk of San Juan

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN)

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS, on the 20th day of February, 1947,
Helen Zimmerman and R. J. Zimmerman, her husband
as Lessor, did execute and deliver an oil and gas lease to Charles Newbold
as Lessee, covering the following
described land situated in the County of San Juan, State of New Mexico, to wit:

The East one-half of the Northeast
Quarter (E $\frac{1}{2}$ NE $\frac{1}{4}$); Southwest Quarter
of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) and
Thirteen (13) acres in the South part
of the Northwest Quarter of the Northeast
Quarter, all in Section 25, Township
Twenty Nine (29) North, Range 13 West,
San Juan County, New Mexico, containing
137 Acres more or less.

said lease having been recorded in Volume 123 at Page 153 of the Records of
San Juan County, New Mexico; and

WHEREAS, the above described lease is in full force and effect and is
presently owned and held by Stanolind Oil and Gas Company, and Locke-Taylor Drilling Co.,
Stanolind Oil and Gas Company and Benson & Montin, arki

WHEREAS, the undersigned parties are the owners of all or a part of the
oil and gas in and under the above described land, subject to said lease, and desire
to amend and supplement said lease so as to include the additional provisions herein-
after set forth;

NOW THEREFORE, in consideration of the premises and the sum of One Dollar
(\$1.00) and other good and valuable considerations in hand paid to the undersigned
parties by Stanolind Oil and Gas Company, the receipt and sufficiency of which are
hereby acknowledged, the undersigned parties do hereby and by these presents amend
and supplement the above described oil and gas lease so as to include therein the
following:

"Lessee is hereby given the power and right, at any time during
the term of this lease, as to all or any part of the land described
herein and as to any one or more of the formations thereunder and the
minerals therein or produced therefrom, at its option and without
Lessor's joinder or further consent, to pool and unitize the leasehold
estate and the Lessor's royalty estate created by this lease with the
rights of any third parties in all or any part of the land described
herein, and with any other land, lands, lease, leases, mineral and royal-
ty rights, or any of them, adjacent, adjoining or located within the
immediate vicinity of the land covered by this lease, whether owned by
Lessee or some other person, firm or corporation, so as to create by such
pooling and unitization, one or more drilling or production units. Each
such drilling or production unit shall not exceed 320 acres, whether
created for the purpose of drilling for or producing oil, gas, casinghead
gas or casinghead gasoline, or any combination of such minerals, there-
from, except that larger units may be created to conform to the spacing

Page No 70463

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or well unit patterns prescribed by State or Federal authorities having jurisdiction in the premises. The commencement, drilling, completion of or production from a well on any portion of a unit created hereunder, including the completion of a well capable of producing gas only from which gas is not being sold or used, shall for all purposes, except the payment of royalties, have the same effect upon the terms and provisions of this lease, as if a well were commenced, drilled, completed producing, or capable of producing gas only and shut-in (gas not being sold or used) on the land embraced by this lease. As to each such unit so created by Lessee, Lessor agrees to accept and shall receive out of the production or the proceeds from the production from such unit, such portion of the royalties elsewhere herein specified as the number of acres out of this lease placed in any such unit bears to the total number of acres included in such unit; provided, however, that, anything to the contrary contained in this lease notwithstanding, in the event a well capable of producing gas only is completed on a unit created hereunder and gas is not sold or used from said well, Lessor agrees to accept and shall receive as royalty, an amount equal to One Dollar (\$1.00) for each acre herein recited to be covered by this lease, payable annually at the end of each year during which such gas is not sold or used, and while said royalty is so paid or tendered, this lease shall continue in full force and effect and said well shall be considered a producing well under the paragraph hereof setting forth the term of this lease. The Lessee may place and use on each unit created hereunder common measuring and receiving tanks for production from such unit. If Lessee does create any such unit or units under the option herein granted, then Lessee shall execute in writing and file for record in the County or Counties in which each such unit or units created hereunder may be located, an instrument identifying and describing each such unit or units. The provisions of this paragraph shall be construed to be covenants running with the land and shall inure to the benefit of and be binding upon the parties hereto, their heirs, legal representatives, successors and assigns." THE ABOVE ONE DOLLAR PER ACRE SHUT IN SHALL APPLY TO THE PRESENT WELL NOW IN PRODUCTION AS TO PAST SHUT IN PAYMENTS.

Except as herein amended and supplemented, the terms and provisions of the above described lease shall remain in full force and effect as originally written. This instrument shall be binding upon all of the parties who sign the same regardless of whether it is signed by all of the parties owning interests in the oil and gas in and under the above described land. This amendment may be executed in as many counterparts as deemed necessary, and, when so executed shall have the same effect as if all parties had executed the same instrument.

EXECUTED THIS 1st day of October, 1954

Helen Zimmerman
Helen Zimmerman
R. J. Zimmerman
R. J. Zimmerman

We the undersigned, Howard H. Tryksen and Zelma H. Tryksen present owners of a n undivided one-half (1/2) interest in and to the above described tract approve this Amendment to to the lease.

Howard H. Tryksen
Howard H. Tryksen
Zelma H. Tryksen
Zelma H. Tryksen

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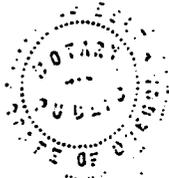
STATE OF OREGON }
COUNTY OF Multnomah } ss.

On this 1st day of Oct. 1954, before me appeared Helen Zimmerman and H. J. Zimmerman, her husband, to me known to the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

Michael Beck
Notary Public

My commission expires 10-10-55



STATE OF NEW MEXICO }
COUNTY OF SAN JUAN } ss.

On this 15 day of Sept 1954, before me personally appeared Howard N. Tykosen and Zelma H. Tykosen, his wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have set my official signature and affixed my notarial seal the day and year first above written.

Willis Martin
Notary Public

My commission expires Feb 24-1956



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

RECEIVED

MAR 06 1982

IN THE MATTER OF THE APPLICA-
TION OF BHP PETROLEUM (AMERICAS)
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 10,345 (De Novo)

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICA-
TION OF BHP PETROLEUM (AMERICAS)
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 10,346 (De Novo)

SUMMARY OF PROPOSED TESTIMONY BEFORE THE COMMISSION
(SUBMITTED BY BHP PETROLEUM (AMERICAS) INC.)

Applicant will present the following testimony to the
Commission:

A. Land Testimony.

1. The testimony given before the Division will be reaffirmed.
2. Although Benson & Montin once asked the USGS how to withdraw the Zimmerman Lease (the drillsite lease for the GCU No. 391 Well) from the Gallegos Canyon Unit (GCU), the lease was never withdrawn from the GCU. BHP will submit additional documents which show that the Zimmerman Lease was never withdrawn from the GCU, and that the BLM considers the Zimmerman Lease committed to the GCU. In addition, Amoco Production Company considers the Zimmerman Lease to be part of the GCU.
3. An additional 15 acre tract in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23 is committed (both working and royalty interests) to the GCU.
4. Actual well costs to date for the GCU Nos. 390 and 391 wells.

5. Evidence that Louise Y. Locke never had any plans to drill a coal gas well in the N½ of Section 23.

B. Engineering Testimony.

1. Risk involved in drilling the two wells justifies a 150% non-consent penalty, based on the factors used in OCD Case No. 9593 (which first promulgated the 156% penalty used in many coal gas compulsory poolings).

2. Completing the GCU No. 391 Well will not damage the Tycksen Well, for the following reasons:

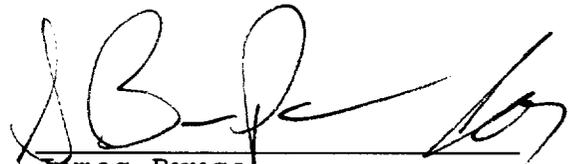
(a) Fractures from fracture stimulating the GCU No. 391 Well will not intersect the Tycksen Well;

(b) fractures will remain in the coal seams;
and

(c) the plug in the Tycksen Well is sufficient to prevent any communication between zones, even if the fractures do reach the Tycksen Well.

3. Gas analyses will show that gas produced from the Tycksen Well is not coal gas.

4. The valuations placed on Mrs. Locke's interest by her engineers is equivalent to BHP's May 1991 purchase offer.



James Bruce
Attorney for BHP
Petroleum (Americas)
Inc.

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

MAR 01 1992

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICA-
TION OF BHP PETROLEUM (AMERICAS)
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 10,345 (De Novo)

IN THE MATTER OF THE APPLICA-
TION OF BHP PETROLEUM (AMERICAS)
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 10,346 (De Novo)

**SUMMARY OF TESTIMONY, AND CONTENTIONS OF THE PARTIES
(SUBMITTED BY BHP PETROLEUM (AMERICAS) INC.)**

I. SUMMARY OF APPLICATIONS.

In Case No. 10,345, Applicant BHP Petroleum (Americas) Inc. ("BHP") seeks to force pool all working interests in the Basin-Fruitland Coal Gas Pool underlying the $W\frac{1}{2}$ of Section 23, Township 29 North, Range 13 West, N.M.P.M., and to dedicate said acreage to the Gallegos Canyon Unit ("GCU") No. 390 Well located in the $SE\frac{1}{4}SW\frac{1}{4}$ of Section 23.

In Case No. 10,346, BHP seeks to force pool all working interests in the Basin-Fruitland Coal Gas Pool underlying the $E\frac{1}{2}$ of Section 23, and to dedicate said acreage to the GCU No. 391 Well located in the $NE\frac{1}{4}NE\frac{1}{4}$ of Section 23.

The oil and gas lease working interests not committed to the proposed well units are owned by Louise Y. Locke d/b/a Locke-Taylor Drilling Company, who protested the cases and has requested the de novo hearings.

II. SUMMARY OF TESTIMONY.

The following matters were testified to in the consolidated hearing before the Examiner on July 25, 1991. The

references in parentheses are to transcript page number or exhibit number from the Examiner hearing. (Note: This summary includes the testimony and contentions of both parties.)

Land Testimony:

1. Louise Y. Locke owns 100% of the oil and gas working interest in the N $\frac{1}{2}$ of Section 23 from the surface to the base of the Pictured Cliffs formation. (Tr. 6, 28, 29; BHP Exhibit 1.)

2. BHP owns or operates the oil and gas working interest under the S $\frac{1}{2}$ of Section 23 from the surface to the base of the Pictured Cliffs formation. BHP owns the working interest under the S $\frac{1}{2}$ SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 under a farmout agreement from Amoco Production Company. (Tr. 15; BHP Exhibit 1.)

3. Section 23 is within the boundaries of the GCU, a unit formed for oil and gas development which covers approximately 43,000 acres in San Juan County, New Mexico. The Unit Agreement for the GCU was approved by Commission Order No. R-68. (BHP Exhibit 3.)

4. BHP is the suboperator of the GCU for all depths from the surface to the base of the Pictured Cliffs formation. (Tr. 15.)

5. The SE $\frac{1}{4}$ and S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 23 are committed to the GCU (both royalty and working interests). (Tr. 16.)

6. The $N\frac{1}{2}SW\frac{1}{4}$, $NW\frac{1}{4}$, and 27¹ acres in the north part of the $NW\frac{1}{4}NE\frac{1}{4}$ of Section 23 are not committed to the GCU.

7. The parties dispute whether the $E\frac{1}{2}NE\frac{1}{4}$, $SW\frac{1}{4}NE\frac{1}{4}$, and 13 acres in the south part of the $NW\frac{1}{4}NE\frac{1}{4}$ of Section 23 are committed to the GCU. The leasehold chain of title to this tract is as follows:

(a) 100% of the mineral interest in this tract was leased to Charles Newbold by Helen Zimmerman and husband R.J. Zimmerman by an Oil and Gas Lease ("the Zimmerman Lease") dated February 20, 1947, recorded at Book 125, page 153 of the county records. The lease did not contain a pooling clause.

(b) Charles Newbold and wife Edna Frances Newbold assigned the Zimmerman Lease to Stanolind Oil and Gas Company by an Assignment of Oil and Gas Lease dated February 28, 1947, recorded at Book 125, page 154 of the county records.

(c) Stanolind Oil and Gas Company ratified the Unit Agreement for the GCU by executing the same as a working interest owner in March 1951.

(d) The Zimmermans have never ratified the Unit Agreement for the GCU.

(e) Stanolind Oil and Gas Company assigned an undivided one-half interest in the Zimmerman Lease to Earl A. Benson and Wm. V. Montin by an Assignment dated November 14, 1951, recorded at Book 172, page 277 of the county records.

(f) Earl A. Benson et ux. and Wm. V. Montin et ux. assigned their interests in the Zimmerman Lease to Benson & Montin, Inc. by an Assignment dated January 18, 1952, recorded at Book 175, page 181 of the county records.

(g) Benson & Montin, Inc. assigned its interest in the Zimmerman Lease to Earl A. Benson and Wm. V. Montin by an Assignment dated July 15, 1952, recorded at Book 203, page 121 of the county records.

The assignments described in paragraphs (e), (f), and (g) all state that the Zimmerman Lease is subject to the

¹BHP will present evidence at the de novo hearing that an additional 15 acre tract in the $NW\frac{1}{4}NE\frac{1}{4}$ of Section 15 is committed to the GCU.

Unit Agreement and the Unit Operating Agreement for the GCU.

(h) Stanolind Oil and Gas Company, Earl A. Benson et ux., and Wm. V. Montin et ux. assigned all their interest in the Zimmerman Lease, from the surface to the base of the Pictured Cliffs formation, to Lloyd D. Locke and Lloyd B. Taylor by an Assignment dated January 23, 1953, recorded at Book 224, page 107 of the county records. The assignment states in paragraph 8 thereof:

Assignors have heretofore, as owners of the aforesaid lease, executed that certain Unit Agreement for the Development and Operation of the Gallegos Canyon Area dated November 1, 1950, formed under the Act of Congress approved February 25, 1920, wherein Earl A. Benson and Wm. V. Montin are named Unit Operators, and Assignors have also executed that certain Unit Accounting Agreement under said Unit Agreement dated January 15, 1951. The land covered by said lease is within the boundaries of the unit area of said Unit Agreement, but is not yet within any participating area formed or designated thereunder. The lessors of said lease have refused to execute said Unit Agreement. Assignors make no representation or warranty as to whether the said lease acreage is or is not committed to or affected by said Unit Agreement or Unit Accounting Agreement by reason of the execution by Assignors of the instruments above referred to, or either of them, and Assignees accept this Assignment without prejudice to their right to contend that the lease acreage herein assigned is acquired free from the provisions of said Unit Agreement and Unit Accounting² Agreement, but in the event said lease acreage shall be found to be subject to the terms of said agreements, Assignees accept said lease acreage subject to all the terms and provisions of said agreements.

(i) Lloyd B. Taylor, Lloyd D. Locke, Stanolind Oil and Gas Company, Earl A. Benson, and William V. Montin entered into a Pooling Designation executed in 1953 and 1954, recorded at Book 270, page 23 of the county records, to form the N $\frac{1}{2}$ of

²Apparently the parties meant "Unit Operating Agreement."

Section 23, above the base of the Pictured Cliffs formation, into a drilling unit.

(j) The Zimmerman Lease was amended in 1954 to include a pooling clause.

(k) Lloyd B. Taylor and wife Mildred B. Taylor deeded their interest in the Zimmerman Lease to Lloyd D. Locke and wife Louise Y. Locke by a Deed dated November 8, 1954, recorded at Book 265, page 80 of the county records.

(l) Lloyd D. Locke deeded his interest in the Zimmerman Lease to Louise Y. Locke by a Deed dated December 23, 1954, recorded at Book 265, page 81 of the county records.

(BHP Exhibits 2, 2A; Tr. 16-18, 30, 31, 37, 51, 52, 55, 56.)

8. The Bureau of Land Management permits unit drilling on a tract where only the working interest of a fee lease is committed to a unit. (Tr. 18, 19; BHP Exhibit 4.)

9. In June 1990 BHP prepared authorities for expenditures for the GCU Nos. 390 and 391 Wells. (BHP Exhibits 6, 7.)

10. The Amoco-BHP farmout required BHP to drill 15 wells in the GCU during 1990. Two of those wells were the GCU Nos. 390 and 391 Wells. (Tr. 24, 27, 28.)

11. BHP obtained well permits for the GCU Nos. 390 and 391 Wells in August 1990. The permits did not state that the interests of all owners had been consolidated by communitization or compulsory pooling. (Tr. 46; See Locke Exhibit A.)

12. BHP first learned that Louise Y. Locke owned the working interest in the NW $\frac{1}{4}$ of Section 23 (surface to base of

Pictured Cliffs formation) in September 1990. The actions of the parties thereafter are as follows:

(a) After locating Louise Y. Locke, BHP's landman called her son, Don Locke, in October 1990, and subsequently offered in writing to purchase Louise Y. Locke's oil and gas interests in the NW $\frac{1}{4}$ of Section 23. (Tr. 19-21; BHP Exhibit 5.)

(b) BHP's landman had several telephone conversations with Don Locke, and was subsequently informed that Louise Y. Locke was represented by an attorney. (Id.)

(c) In December 1990 BHP commenced the GCU No. 390 and GCU No. 391 Wells. (Tr. 42-43.)

(d) As of December 1990 BHP did not know that Louise Y. Locke owned the working interest in the NE $\frac{1}{4}$ of Section 23. Based on the materials it had received from Amoco Production Company, BHP believed that Amoco owned the NE $\frac{1}{4}$ of Section 23 and that the Zimmerman Lease was committed to the GCU. (Tr. 29, 43, 44, 62, 63.)

(e) BHP did not obtain Louise Y. Locke's consent or commitment to either well before commencing drilling.

(f) In February 1991 BHP received a letter from Louise Y. Locke's attorney making various demands, including that the GCU No. 391 Well be completed in the Fruitland coal formation and turned over to Louise Y. Locke. (Tr. 21; BHP Exhibit 5.)

(g) BHP suspended operations on the GCU Nos. 390 and 391 wells after it received the demand letter, and the wells have not been completed. (Tr. 50.)

(h) After receiving the demand letter, BHP verified Louise Y. Locke's ownership in the entire N $\frac{1}{2}$ of Section 23. (Tr. 21.)

(i) BHP subsequently made an offer to buy a portion of Louise Y. Locke's working interest in the N $\frac{1}{2}$ of Section 23. Its offer was \$450/acre with a 7.5% overriding royalty, for the Fruitland coal rights only. The Fruitland sand and Pictured Cliff rights would remain in Louise Y. Locke. BHP did not offer Louise Y. Locke a farmout because she did not seem interested in one, and it is easier for BHP to administer a lease without reversionary interests. (Tr. 21-23; BHP Exhibit 5.)

(j) AFE's for the GCU Nos. 390 and 391 Wells were provided to Louise Y. Locke by letter dated May 29, 1991, which provided Ms. Locke the opportunity to join in the wells. (BHP Exhibit 5; Tr. 21.)

13. BHP, when it commenced drilling the subject wells, designated the W $\frac{1}{2}$ of Section 23 as the spacing unit for the GCU No. 390 Well, and the E $\frac{1}{2}$ of Section 23 as the spacing unit for the GCU No. 391 Well. BHP oriented the units for the GCU No. 390 and No. 391 Wells as standup units because it had oriented its other well units in the area as standup units. (Tr. 61, 62.)

14. BHP requested overhead rates of \$3,300 while drilling and \$350 for a producing well. (Tr. 25, 26.)

15. Louise Y. Locke has sued BHP for, among other things, trespass and conversion. (Tr. 5, 6.)

Engineering Testimony:

16. Louise Y. Locke is the operator of the Howard Tycksen Pooled Unit No. 1 Well ("the Tycksen Well"), which is located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23. The Tycksen Well was drilled in 1952 and originally tested the Pictured Cliffs formation, which was dry, and was then completed uphole in the West Kutz-Fruitland Pool. (Locke Exhibit 2; See the Division's well file on the Tycksen Well.)

17. In October 1988 the vertical limits of the West Kutz-Fruitland Pool were contracted to include only the sandstone interval of the Fruitland formation, and this pool has been re-named the West Kutz-Fruitland Sand Pool. Spacing for the West Kutz-Fruitland Sand Pool is 160 acres. (Tr. 89; See Order Nos. R-8769 and R-8768.)

18. The Tycksen Well is producing from the Fruitland sand and has been doing so since 1954. The Tycksen Well was producing 10-15 MCF/day. The Tycksen Well was not a commercial well for unit purposes and is not considered a GCU well. (Tr. 39-41, 81, 85, 86.)

19. The Tycksen Well produces from an open hole completion at approximately 925 feet subsurface. (Locke Exhibit 2.)

20. At the location of the Tycksen Well and the GCU No. 391 Well, the top of the Fruitland sand is 896 feet subsurface and the bottom is at 919 feet subsurface, and the top of the Fruitland coal is 1152 feet subsurface and the bottom is at 1182 feet subsurface. (Tr. 79; Locke Exhibit 2).

21. The Tycksen Well has a cement plug set from 1230 feet to approximately 1070 feet subsurface. (Tr. 79; Locke Exhibit 2.)

22. BHP proposes to complete the GCU Nos. 390 and 391 Wells in the Basin-Fruitland Coal Gas Pool at an approximate depth of 1150 feet subsurface. BHP proposes to complete the wells by perforating and fracture stimulating them. The perforations are to be confined to the Fruitland coal formation. (Tr. 73, 75; See Applications.)

23. The GCU No. 391 Well is located approximately 130 feet east of the Tycksen Well. (BHP Exhibit 1; Locke Exhibit 1; Tr. 82.)

24. The fracture orientation in the coal seams in this area of the GCU is southwest-northeast. (Tr. 99.)

25. Louise Y. Locke's engineer testified that fracturing the GCU No. 391 Well will damage the producing interval of the Tycksen Well, causing loss of production and reserves. The engineer testified that the cement plug in the Tycksen well cannot withstand the fracture stimulation of the GCU No. 391 Well. (Tr. 80-82.)

26. BHP's engineer testified that fractures in the Fruitland coal remain within that zone, and pose no hazard to the Tycksen Well. (Tr. 98-100.)

27. The GCU No. 390 and No. 391 Wells are being drilled in an area of the GCU which has the thickest coal seams. (Tr. 74.)

28. Initial production rates on Fruitland coal wells within the GCU vary significantly and cannot be related directly to coal thickness. Initial production rates on BHP's 17 Fruitland coal wells within the GCU vary from 10 MCF/day to 827 MCF/day. (Tr. 66, 67; BHP Exhibit 9.)

29. BHP's engineer recommended that the penalty for the non-consenting interest owner in the GCU Nos. 390 and 391 Wells be cost plus 156%, based on the risk in completing a commercial well, gas prices, and on the standard penalty used for Fruitland coal wells by the Division and the Commission. (Tr. 66-68, 70.)

30. Louise Y. Locke's engineer recommended that if the applications are granted no penalty should be assessed, or if a penalty is granted, it should be a maximum of 23% based on costs of completion only. (Tr. 78, 84.)

III. CONTENTIONS OF THE PARTIES.

A. Louise Y. Locke: Louise Y. Locke contends:

1. BHP owns no working interest in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23, and therefore has no right to drill the GCU No. 391 Well thereon.

2. The NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23 is not committed to the GCU, and therefore BHP as suboperator of the GCU has no right to drill the GCU No. 391 Well thereon.

As a result of the above contentions, and because of the pending lawsuit, the applications should be dismissed or stayed pending resolution of the lawsuit.

3. The unit for the GCU No. 391 Well should be the N $\frac{1}{2}$ of Section 23, and the Unit for the GCU No. 390 Well should be the S $\frac{1}{2}$ of Section 23.

4. The Commission should not allow BHP to complete the GCU No. 391 Well because fracture stimulation will damage the Tycksen Well.

5. If the Commission grants BHP's applications, a maximum penalty of costs plus 23% should be assessed against Louise Y. Locke in the drilling of the two wells because of (i) BHP's delay in seeking joinder of the Locke interests, and (ii) the lack of risk.

B. BHP: BHP contends:

1. The working interest of the Zimmerman Lease, the drillsite for the GCU No. 391 Well (the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23), is committed to the GCU. As GCU suboperator for the Fruitland coal formation, BHP has the right to drill a well thereon.

2. Even if the working interest of the Zimmerman Lease is not committed to the GCU, the Commission has the

authority and jurisdiction to authorize BHP to drill a well on the Zimmerman Lease.

3. The Commission can pool interests before or after a well is drilled.

4. BHP, as operator, could in its discretion, under Order No. R-8768, form standup units rather than laydown units.

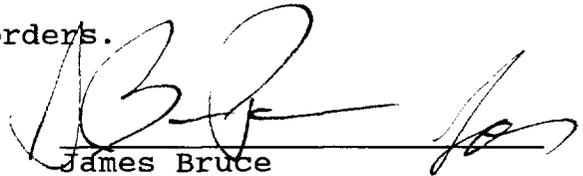
5. The Commission has the authority to authorize standup units.

6. Because Louise Y. Locke never drilled a Fruitland coal well with a designated unit consisting of the N $\frac{1}{2}$ of Section 23, standup units are proper.

7. Louise Y. Locke's correlative rights will be protected because she will receive her proportionate share of production from the GCU No. 390 and GCU No. 391 Wells.

8. The Tycksen Well will not be damaged by the completion of the GCU No. 391 Well.

9. If the applications are granted, a penalty of costs plus 156% should be assessed against Louise Y. Locke if she goes non-consent under the orders.


James Bruce
Attorney for BHP
Petroleum (Americas)
Inc.

HINKLE, COX, EATON, COFFIELD & HENSLEY

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Mr. Robert Stovall
New Mexico Oil Conservation
Division
State Land Office Building
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87501

Re: Case Nos. 10345 and 10346 (de novo)

Dear Mr. Stovall

Enclosed is an additional exhibit which BHP Petroleum may use at the hearing. This Exhibit has also been forwarded to opposing counsel.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le
Enclosure

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



BRUCE KING
GOVERNOR

January 14, 1992

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500 Marquette N.W, Suite 900
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RE: *Oil Conservation Division Case Nos. 10345 and 10346 - Application of BHP (Americas) Inc. for Compulsory Pooling, San Juan County, New Mexico*

Gentlemen:

I am in receipt of the January 13, 1992 letter from William Carr requesting a continuance of the captioned case which is scheduled to be heard before the Oil Conservation Commission on January 16, 1992, and the January 14, 1992 letter from James Bruce opposing this request for continuance. After due deliberation, my decision is to grant the request for continuance. The case will be rescheduled for the Commission docket for February 27, 1992.

Very truly yours,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

William J. LeMay, Chairman
Oil Conservation Commission

WJL/sl

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January 13, 1992

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JAN 14 1992

OIL CONSERVATION DIV.
SANTA FE

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Oil Conservation Division Case Nos. 10345 and 10346
In the Matter of the Applications of BHP (Americas) Inc. for Compulsory
Pooling, San Juan County, New Mexico

Dear Mr. LeMay:

Louise Locke d/b/a Locke-Taylor Drilling Company hereby requests that the De Novo hearings in the above-captioned cases currently scheduled for January 16, 1992 be continued to the February Commission hearing docket.

As you are aware, the Pre-Hearing Statement filed by BHP in this matter contains a recommendation that the parties submit a summary of the Examiner hearing and limit presentations at the Commission level to new evidence and oral argument. The issues in this case are also the subject of related litigation. As a result of discovery in that case, the facts are not what they were believed to be at the time of the Examiner hearing. This will require that the hearing be in fact, De Novo and, if Mrs. Locke's interests are to be fully reviewed, each party must call appropriate witnesses and present its case anew. A full hearing in this matter should take at least one-half day.

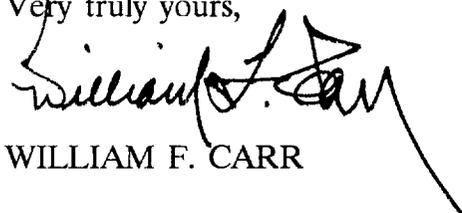
William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
January 13, 1992
Page Two

It is my understanding that the Commission has allowed two days for this month's hearing due to the length of the testimony anticipated in Case 10436 (expansion of the vulnerable area in the San Juan Basin). We believe the most efficient way to present the BHP/Locke dispute, is at a separate hearing date when there can be a full review of the issues without interfering with time that may be needed to present evidence concerning expansion of the vulnerable area.

I have reviewed this request for a continuance with Jim Bruce, attorney for BHP, who does not concur. We would appreciate a ruling from the Commission at the earliest possible time so that if the continuance is granted, witnesses will not unnecessarily make a trip to Santa Fe.

Your attention to this request for continuance is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

cc: James Bruce, Esq. "Telecopied and Mailed"

History of Justice ... *Continuance* ... P.02

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January 14, 1992

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VIA TELECOPY

**Mr. William J. Lemay
Director
Oil Conservation Division
P. O. Box 2088
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Telecopy No. (505) 827-5741**

**SANTA FE
OIL CONSERVATION DIV.**

JAN 17 1992

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Re: Case Nos. 10,345 and 10,346 (Applications of BHP Petroleum (Americas) Inc. for Compulsory Pooling, San Juan County, New Mexico)

Dear Mr. Lemay:

BHP Petroleum opposes the request of Louise Locke to continue the De Novo hearings in the above matters, scheduled for January 16, 1992. The reasons for opposing this request are as follows:

- 1. The hearings on this matter were continued once at the request of Louise Locke, without opposition from BHP. Another continuance will merely delay resolution of these matters.**
- 2. Contrary to what Louise Locke asserts, the facts in this case are the same as they were at the time of the Examiner Hearing.**
- 3. BHP is ready to present its witnesses in full. BHP's direct testimony is scheduled to take at most 40 minutes. In the prior hearing, Louise Locke's sole witness testified on direct and cross-examination for less than one-half hour. Thus, this is not an extremely long case.**
- 4. The undersigned counsel for BHP Petroleum did suggest using a summary of the Examiner Hearing, only in the interests of saving time for the Commission. Since Louise Locke's counsel**

HINKLE, COX, EATON, COFFIELD & HENSLEY

Mr. William J. Lemay
January 14, 1992
Page 2

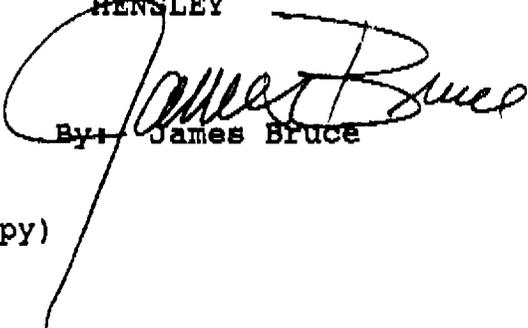
does not agree to this procedure, BHP Petroleum is ready and willing to go forward and present all of its case again.

5. There is no contention by Louise Locke that she is unable to go forward on the 16th, but rather that she merely does not want to go forward on the 16th. That is an insufficient reason.

For the foregoing reasons, BHP Petroleum opposes the request for a continuance and asks that these cases go forward on the 16th.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY



By: James Bruce

JB:le

cc: William F. Carr (Via Telecopy)
Telecopy No. (505) 983-6043

Bob

HINKLE, COX, EATON, COFFIELD & HENSLEY

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NAME: *William J Lemay*
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RE:

FROM: *James Bruce*

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OIL CONSERVATION DIV
SANTA FE

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HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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January 14, 1992

700 UNITED BANK PLAZA
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ROSWELL, NEW MEXICO 88202
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MIDLAND, TEXAS 79702
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POST OFFICE BOX 9238
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(505) 982-4554
FAX (505) 982-8623LEWIS C. COX
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ERIC D. LANPHERE
C. B. MARTIN
PAUL J. KELLY, JR.
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OWEN H. LOPEZ
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STEPHANIE LANDRY
JOHN R. KULBETH, JR.
LISA K. SMITH*
JAMES K. SCHUSTER*

*NOT LICENSED IN NEW MEXICO

VIA TELECOPYMr. William J. Lemay
Director
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
Telecopy No. (505) 827-5741Re: Case Nos. 10,345 and 10,346 (Applications of BHP Petroleum
(Americas) Inc. for Compulsory Pooling, San Juan County, New
Mexico)

Dear Mr. Lemay:

BHP Petroleum opposes the request of Louise Locke to
continue the De Novo hearings in the above matters, scheduled for
January 16, 1992. The reasons for opposing this request are as
follows:

1. The hearings on this matter were continued once at the request of Louise Locke, without opposition from BHP. Another continuance will merely delay resolution of these matters.
2. Contrary to what Louise Locke asserts, the facts in this case are the same as they were at the time of the Examiner Hearing.
3. BHP is ready to present its witnesses in full. BHP's direct testimony is scheduled to take at most 40 minutes. In the prior hearing, Louise Locke's sole witness testified on direct and cross-examination for less than one-half hour. Thus, this is not an extremely long case.
4. The undersigned counsel for BHP Petroleum did suggest using a summary of the Examiner Hearing, only in the interests of saving time for the Commission. Since Louise Locke's counsel

HINKLE, COX, EATON, COFFIELD & HENSLEY

Mr. William J. Lemay
January 14, 1992
Page 2

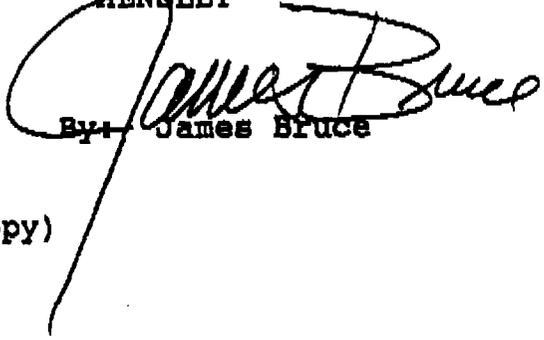
does not agree to this procedure, BHP Petroleum is ready and willing to go forward and present all of its case again.

5. There is no contention by Louise Locke that she is unable to go forward on the 16th, but rather that she merely does not want to go forward on the 16th. That is an insufficient reason.

For the foregoing reasons, BHP Petroleum opposes the request for a continuance and asks that these cases go forward on the 16th.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le

cc: William F. Carr (Via Telecopy)
Telecopy No. (505) 983-6043

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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November 4, 1991

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

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OIL CONSERVATION DIVISION

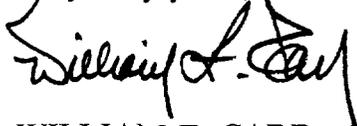
Re: Oil Conservation Division Case Nos. 10345 and 10346
In the Matter of the Applications of BHP, Petroleum (Americas) Inc. for
Compulsory Pooling, San Juan County, New Mexico

Dear Mr. LeMay:

Each of the above-referenced cases is currently scheduled for hearing before the Oil Conservation Commission on the application of Louise Locke d/b/a Locke-Taylor Drilling Company for hearing De Novo. Locke hereby requests that each of these cases be continued to the next scheduled Commission hearing. Jim Bruce, attorney for BHP, Petroleum (Americas) Inc. does not oppose this request.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

cc: Richard T. C. Tully, Esq.
James Bruce, Esq.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

IN THE MATTER OF THE APPLICATION
OF BHP PETROLEUM (AMERICAS),
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

OCT 03 1991

OIL CONSERVATION DIVISION
CASE NO. 10345
ORDER NO. R-9581

IN THE MATTER OF THE APPLICATION
OF BHP PETROLEUM (AMERICAS),
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 10346
ORDER NO. R-9584

**MOTION OF LOUISE Y. LOCKE d/b/a TAYLOR DRILLING COMPANY
FOR STAY OF OIL CONSERVATION DIVISION ORDERS R-9581 AND R-9584**

Louise Y. Locke, d/b/a Locke-Taylor Drilling Company ("Locke") hereby moves the Oil Conservation Commission for an Order staying Oil Conservation Division Order No. R-9581 and Order No. R-9584 and as grounds therefor states:

1. By Order No. R-9581 entered September 11, 1991, the Oil Conservation Division granted the application of BHP Petroleum (Americas), Inc. in Case 10345, compulsory pooling the W/2 of Section 23, Township 29N, Range 13W, San Juan County, New Mexico. The effect of this Order was to force pool the interests of Locke in the W/2 of this section.

2. By Order No. R-9584 entered September 23, 1991, the Oil Conservation Division granted the application of BHP Petroleum (Americas), Inc. in Case 10346, compulsory pooling the E/2 of Section 23, Township 29N, Range 13W, San Juan County,

New Mexico. The effect of this Order was to compulsory pool the interests of Locke in the E/2 of said Section 23.

3. Each of these Division Orders requires that Locke pay the share of well costs attributable to her interest in each well that BHP drills on this acreage or be subject to a 101% risk penalty.

4. On September 30, 1991, BHP submitted to Locke AFE's for each well.

5. These AFE's were prepared seventeen months ago and contain estimates of well costs, although the wells were drilled in December 1990 and actual well costs are known to BHP.

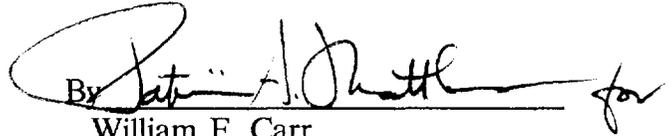
6. Locke has sought clarification of this matter from the Commission and has filed applications for hearing de novo in each case to resolve these questions. To assure that Locke is not a non-consenting party under these Orders while the questions are resolved, she seeks a stay of these Orders.

7. A Commission Order staying Division Orders R=9581 and R-9584 is necessary to protect Locke's interest until these questions are resolved and her appeal prosecuted.

WHEREFORE, Louise Y. Locke, d/b/a Locke-Taylor Drilling Company, moves the New Mexico Oil Conservation Division and Commission for an Order staying Oil Conservation Division Order Nos. R-9581 and R-9584.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

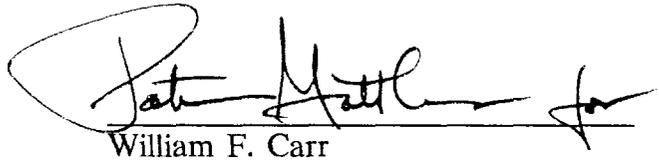
By  for

William F. Carr
Post Office Box 2208
Santa Fe, NM 87504-2208
(505) 988-4421

Attorneys for Louise Y. Locke
d/b/a Locke-Taylor Drilling Co.

CERTIFICATE OF MAILING

I hereby certify that a copy of the foregoing Motion to Stay was mailed to James D. Bruce, Esq., Hinkle, Cox, Eaton, Coffield and Hensley, 500 Marquette, NW, #800, Albuquerque, New Mexico 87102 this 9th day of October, 1991.


William F. Carr

These wells had
been drilled but
not completed.

I don't see any
particular reason
to grant the
stay -

~~But~~

Jim Bruce requests
BHP

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF BHP PETROLEUM (AMERICAS),
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED CASE NO. 10345
ORDER NO. R-9581

IN THE MATTER OF THE APPLICATION
OF BHP PETROLEUM (AMERICAS),
INC. FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

OCT 09 1991
OIL CONSERVATION DIVISION.

CASE NO. 10346
ORDER NO. R-9584

**MOTION OF LOUISE Y. LOCKE d/b/a TAYLOR DRILLING COMPANY
FOR STAY OF OIL CONSERVATION DIVISION ORDERS R-9581 AND R-9584**

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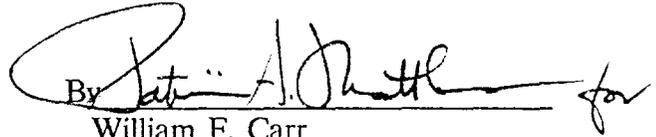
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WHEREFORE, Louise Y. Locke, d/b/a Locke-Taylor Drilling Company, moves the New Mexico Oil Conservation Division and Commission for an Order staying Oil Conservation Division Order Nos. R-9581 and R-9584.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

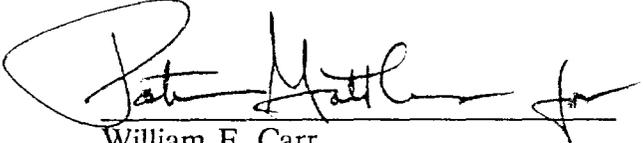
By  for

William F. Carr
Post Office Box 2208
Santa Fe, NM 87504-2208
(505) 988-4421

Attorneys for Louise Y. Locke
d/b/a Locke-Taylor Drilling Co.

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William F. Carr