

BILL CLEMENT
PARTNER



JEFF SMITH
PARTNER

July 18, 1994

New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Compulsory Pooling Hearings
NE/4 SW/4, NW/4 SE/4
Section 33-16S-38E and
NW/4NE/4 Section
8-17S-38E, all three (3) in
Lea County, New Mexico

Gentlemen:

Our Company recently received three (3) separate Applications for Compulsory Pooling on each of the three (3) tracts cited above. In that no Case Numbers are noted on the Applications, copies of each of those Applications is enclosed for your ready reference. You will note that the hearings are scheduled for **July 21, 1994**.

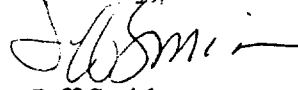
Our leasehold interest is but one-fourth (1/4th) of an acre under each tract, but it seems unfair to us to be forced to make an election on all three (3) proposed wells at the same time. It would appear that the Applicant is seeking to gain an unfair advantage by filing this Compulsory Pooling Application so as to coerce us to make an untimely election. Because our interest is so small we cannot justify the expense of a trip to Santa Fe nor the retaining of a New Mexico attorney.

Further, we are not even sure that they intend to drill all three (3) of the wells. And, in their zeal to compel premature elections from us they have formally proposed a fourth location to be drilled in the SE/4NW/4 of Section 33-16S-38E; no doubt an Application for Compulsory Pooling will soon be made on that location as well.

Accordingly, Smith-Clement Exploration, Inc. respectfully requests that the Division Examiner not compel us to make all these elections at the same time. Neither protection of correlative rights nor prevention of waste will be accomplished by their attempt to coerce premature elections out of us. We respectfully request that either (a) two of the hearings be continued until after the first well is down, or (b) deferred elections be granted pending the testing and completion of the first well to be drilled.

Thank you in advance for your consideration of our request.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Smith', with a long horizontal flourish extending to the right.

Jeff Smith

Encl.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

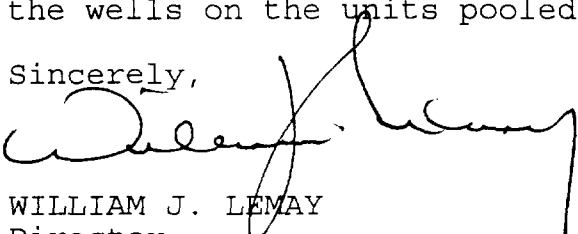
March 30, 1995

Ms. Tanya M. Trujillo
Campbell, Carr, Berg & Sheridan
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Ms. Trujillo:

Based upon the reasons stated in your letter of March 30, 1995, and in accordance with the provisions of Division Orders Nos. R-10167, R-10169, and R-10170, AnSon Gas Corporation is hereby granted an additional extension of time until June 15, 1995, in which to begin the wells on the units pooled by said orders.

Sincerely,



WILLIAM J. LEMAY
Director

fd/

cc: Cases Nos. 11023, 11024, and 11025
OCD - Hobbs

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
NANCY A. RATH

JACK M. CAMPBELL
OF COUNSEL

RECEIVED

MAR 30 1995

Oil Conservation Division

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 30, 1995

VIA HAND DELIVERY

William LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

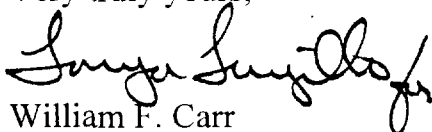
**Re: Oil Conservation Division Case Nos. 11023, 11024 and 11025, Order Nos.
R-10167, R-10169, R-10170
Applications of AnSon Gas Corporation for Compulsory Pooling, Lea
County New Mexico**

Dear Mr. LeMay:

On January 3, 1995, the New Mexico Oil Conservation Division granted an extension of time until April 15, 1995 to commence drilling wells pursuant to Order Nos. R-10167, R-10169, and R-10170. Currently, AnSon is attempting to resolve surface damage disputes with a surface owner, but has not been able to come to an agreement at this time. In addition, AnSon only recently received seismic data on the subject area, and would like additional time to review the data. For these reasons AnSon will be unable to commence drilling by April 15, 1995.

Accordingly, AnSon requests that it be granted an extension until June 15, 1995 to commence drilling its wells pursuant to Order Nos. R-10167, R-10169, and R-10170.

Very truly yours,



William F. Carr
Tanya M. Trujillo

cc: Charles E. Lundeen, via facsimile
Don Maddox, Esq., via facsimile

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



January 3, 1995

Mr. William F. Carr
Campbell, Carr, Berge & Sheridan
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Based upon the reasons stated in your letter of December 29, 1994, and in accordance with the provisions of Division Orders Nos. R-10167, R-10169, and R-10170, AnSon Gas Corporation is hereby granted an additional extension of time until April 15, 1995, in which to begin the wells on the units pooled by said orders.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner".

MICHAEL E. STOGNER
Acting Director

fd/

cc: Cases Nos. 11023, 11024, and 11025
OCD - Hobbs

VILLAGRA BUILDING - 408 Galisteo

Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830

Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco

Office of the Secretary
827-5950

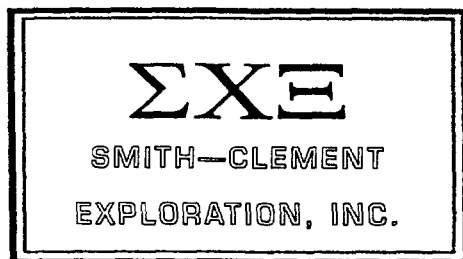
Administrative Services
827-5925

Energy Conservation & Management
827-5900

Mining and Minerals
827-5970

Oil Conservation
827-7131

Flare
Case files



Morrow

BILL CLEMENT
PARTNER

JEFF SMITH
PARTNER

October 31, 1994

Mr. Charles E. Lundeen
Anson Company
P.O. Box 24060
Oklahoma City, Oklahoma 73124

Re: Case # 11024, Order #R-10167
Case # 11025, Order #R-10170
Case # 11023, Order #R-10169

Dear Chuck:

Please refer to my letter of September 15, 1994 which was delivered to Anson on the same date. In said letter Smith-Clement Exploration, Inc. elected to participate in any of the three (3) wells which might be drilled. We further requested that an Operating Agreement be furnished us if one (1) or more wells should be drilled. We were verbally promised that such Operating Agreement would be offered to us if, in fact, any of the wells should be drilled.

Please consider this letter a formal request for the proffered Operating Agreement for the #1-33 Arther well which we understand Anson is going to commence in the near future.

Also enclosed is our Well Requirements Form.

Sincerely,

Jeff Smith

cc: New Mexico Oil Conservation Division
Attn: Mr. Bill Lemay, Director
Attn: Ran Carroll, Esq., Division Attorney



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

October 18, 1994

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ANITA LOCKWOOD
CABINET SECRETARY

Mr. William F. Carr
Campbell, Carr, Berge & Sheridan
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Based upon the reasons stated in your letter of October 17, 1994, and in accordance with the provisions of Division Orders Nos. R-10167, R-10169, and R-10170, AnSon Gas Corporation is hereby granted an extension of time until January 15, 1995, in which to begin the wells on the units pooled by said orders.

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY
Director

fd/

cc: Cases Nos. 11023, 11024, and 11025
OCD - Hobbs

BILL CLEMENT
PARTNER



NEW MEXICO CONSERVATION DIVISION
RECEIVED
14 SEP 20 AM 8 50

JEFF SMITH
PARTNER

September 15, 1994

*Now
Case file*

HAND DELIVERED on SEPTEMBER 15th


Mr. Charles E. Lundeen
Anson Company
P.O. Box 24060
Oklahoma City, OK 73124

Re: Case # 11024, Order #R-10167
Case # 11025, Order #R-10170
Case # 11023, Order #R-10169

Dear Chuck:

Following up on our telephone conversation last week, this will confirm that Smith-Clement Exploration, Inc. will participate in the three (3) wells to be drilled pursuant to the three (3) above cited pooling orders. Such elections are made, however, subject to item (7) of the Order which... "would allow any working interest owner who has committed to participation to back out of any well not started". Inasmuch as no well has been started on any of the three (3) units in which we were pooled, I question whether or not an election is due. In any event, if one (1) or more of the wells are to be drilled, kindly forward to us a standard Joint Operating Agreement.

Best Regards,


Jeff Smith

cc: New Mexico Conservation Division
Attn: Mr. Bill Lemay

William F. Carr, Esq.-Campbell, Carr, Berge & Sheridan



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

August 11, 1994

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

Attn: Tanya Trujillo

RE: CASE NO. 11024
ORDER NO. R-10167

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
Taxation & Revenue

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11024
ORDER NO. R-10167

**APPLICATION OF ANSON GAS CORPORATION FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 21, 1994 at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 9th day of August, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Anson Gas Corporation, seeks an order pooling all mineral interests from the surface to the base of the Strawn Formation, underlying the NE/4 SW/4 (Unit K) of Section 33, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, forming a standard 40-acre gas spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent.

(3) The applicant proposes to dedicate said oil spacing unit to its Lawrence "33" Well No.1 to be drilled at a standard oil well location thereon. Applicant seeks designation as operator, as well as consideration of drilling and completion costs, operating costs, charges for supervision, risk penalties, and cost allocation.

(4) At the time of the hearing, this case was consolidated with Case Nos. 11023, 11025, and 11026 for the purpose of presenting testimony.

(5) The applicant owns or represents more than 63% of the working interest in the proposed spacing unit and has the right to drill the proposed well. Documents were submitted to show that diligent efforts had been made to contact other working interest owners to obtain their voluntary agreement or to lease their interests. The applicant's land witness testified that Wood Oil Company has verbally committed to lease their 10 acres to the applicant but written confirmation has not been received. This 10 acres would increase the interest committed to the unit to approximately 88%.

(6) Prior to the hearing the Division received a letter from Smith-Clement Exploration. Smith-Clement has a leasehold interest on 1/4 acre proposed for inclusion in this spacing unit as well as 1/4 acre in each of 2 other spacing units proposed in Case Nos. 11023 and 11025 which were heard along with this case. Smith-Clement does not want to be required to make all three elections at the same time before any of the wells are drilled.

(7) The applicant's witness stated that they desire to obtain pooling orders for all three wells so that the three can be drilled one right after the other if successful. The applicant also stated that they would allow any working interest owner who has committed to participation to back out of any well not started.

(8) No other interest owner appeared at the hearing in opposition to the application.

(9) The applicant presented a Strawn isopach map based on seismic information which indicates the Strawn formation is potentially productive under the proposed spacing unit.

(10) An AFE was submitted showing estimated drilling costs of \$436,900 and estimated total well costs of \$754,300.

(11) The applicant proposed a risk penalty of 200 percent. Monthly fixed charges for supervision of \$6,000 per month while drilling and \$600 per month while producing were proposed.

(12) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool resulting from this order, the application should be approved by pooling all mineral interests, whatever they may be, within said 40-acre unit.

(13) Anson Gas Corporation should be designated the operator of the subject well and unit.

(14) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(15) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(16) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(17) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(18) \$6000 per month while drilling and \$600 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest. Such charges should be adjusted annually using approved COPAS accounting procedures.

(19) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(20) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1994, the order pooling said unit should become null and void and of no further effect whatsoever.

(21) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(22) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Strawn formation, underlying the NE/4 SW/4 (Unit K) of Section 33, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent.

(2) Said unit is to be dedicated to the Lawrence "33" Well No.1 to be drilled at a standard oil well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of November, 1994, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test *the Strawn formation*.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of November, 1994, Decretory Paragraphs Nos. (1) and (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraphs Nos. (1) and (2) of this order should not be rescinded.

(3) Anson Gas Company is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (b) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) \$6000.00 per month while drilling and \$600.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

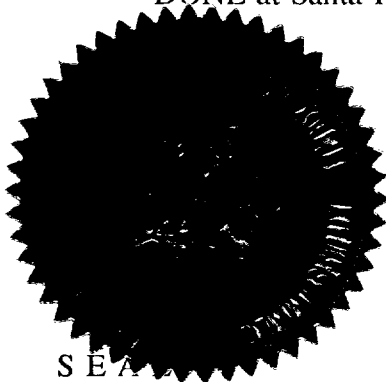
(13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

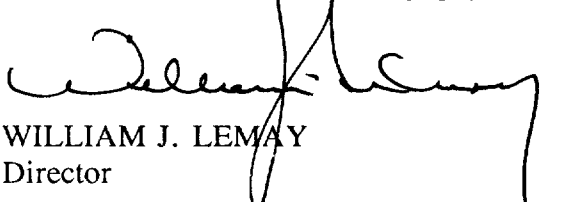
(15) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

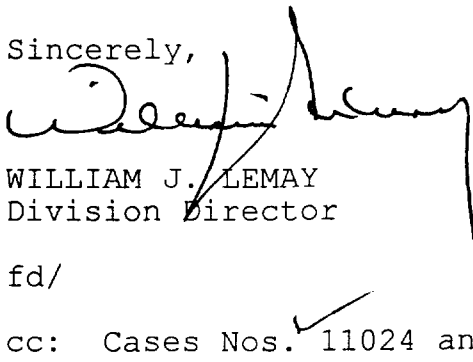
June 8, 1995

Ms. Tanya Trujillo
Campbell, Carr & Berge
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Ms. Trujillo:

Based upon the reasons stated in your letter of June 7, 1995, and in accordance with the provisions of Division Orders Nos. R-10167 and R-10170, AnSon Gas Corporation is hereby granted an additional extension of time until August 15, 1995, in which to begin the wells on the units pooled by said orders.

Sincerely,



WILLIAM J. LEMAY
Division Director

fd/

cc: Cases Nos. 11024 and 11025
OCD - Hobbs

CAMPBELL, CARR & BERGE, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE

MICHAEL H. FELDEWERT
TANNIS L. FOX
TANYA M. TRUJILLO

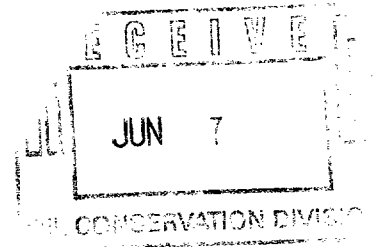
JACK M. CAMPBELL
OF COUNSEL

June 7, 1995

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503



Re: **Oil Conservation Division Case Nos. 11024 and 11025, Order Nos. R-10167 and R-10170**
Applications of AnSon Gas Corporation for Compulsory Pooling, Lea County New Mexico

Dear Mr. LeMay:

AnSon Gas Corporation respectfully requests an additional extension of time from June 15, 1995 to August 15, 1995 to drill wells pursuant to Order Nos. R-10167 and R-10170. AnSon is currently completing its Mary 33 #1 well in the SE/4 NW/4 of Section 33, Township 16 South, Range 38 East, and would like additional time to evaluate the results of that well before drilling additional wells in Section 33. It is for this reason that AnSon requests an extension of Order Nos. R-10167 and R-10170.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in cursive script that reads "Tanya Trujillo".

Tanya M. Trujillo