

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

December 9, 1933

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE NEW MEXICO 87501  
(505) 827-5800

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9261  
ORDER NO. P-2674-1

Applicant:

Foran Oil Company

Dear Sir:

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

Sincerely,

*Florence Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD X  
Artesia OCD X  
Aztec OCD       

Other Scott Hall

KELLAHIN, KELLAHIN AND AUBREY

*Attorneys at Law*

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe

Telephone 982-4285  
Area Code 505

Post Office Box 2265

Jason Kellahin  
Of Counsel

Santa Fe, New Mexico 87504-2265

December 12, 1988

*M.S. ✓*

The Home-Stake Oil & Gas Company  
2800 First National Tower  
Tulsa, OK 74103

The Home-Stake Royalty Corporation  
2800 First National Tower  
Tulsa, OK 74103

Re: Foran Oil Company  
Ethridge 1-7 Well  
Section 7, T16SR37E  
Lea County, New Mexico

Dear Interest Holder:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8674 and R-8674-A, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to these orders. Copies of both orders are enclosed.

Should you desire to participate in this well and avoid the payment of the 200% risk factor penalty out of your share of production, then within thirty days of the date you receive this letter, Foran Oil Company must receive a cashier's check for your proportionate share of the completed well costs and a letter signed by you agreeing to execute a standard joint operating agreement.

If you decide not to participate then you need to do nothing further. In that event, Foran Oil Company will pay your share of the costs of the well and will recover your share out of production, plus an additional 200%.

To aid you in your decision, I have enclosed certain exhibits from the hearing:

- (1) Exhibit 1 is a landman's plat of the area;
- (2) Exhibit 2 is the plat showing the orientation of the spacing unit for the well; and
- (3) Exhibit 15 is the estimated well costs for the well.

KELLAHIN, KELLAHIN and AUBREY

The Home-Stake Oil & Gas Company  
The Home-Stake Royalty Corporation  
December 12, 1988  
Page 2

You should read the Division Orders with care. I am told you have a 7.8125% interest in the 80-acre spacing unit to be dedicated to the well. If that is correct then you are required to submit by certified check the sum of \$50,428.13 being 7.8125% of the completed well cost to Foran Oil Company so that they receive your payment within thirty days of the date you receive this notice.

If you desire to know that information you may call Mr. Foran at (214) 373-8788. His address is: Foran Oil Company, Suite 158, Pecan Creek, 8340 Meadow Road, Dallas, Texas 75231.

Very truly yours,

*Printed Name of  
W. Thomas Kellahin*

W. Thomas Kellahin

WTK/dm  
Encl.

cc: Mr. Joe Foran  
Oil Conservation Division (SF)  
Scott Hall, Esq.

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

CASE NO. 9391  
Order No. R-8674

APPLICATION OF FORAN OIL COMPANY  
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 June 8, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of June, 1988, 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, Foran Oil Company, seeks an order pooling all mineral interests in the Strawn formation underlying the E/2 SE/4 of Section 7, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool, to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 7.

(3) The applicant has the right to drill and proposes to drill a well at a standard location as described above.

(4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid 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 completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) 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.

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

(9) 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.

(10) 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.

(11) \$5000.00 per month while drilling and \$500.00 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.

(12) 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.

(13) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before September 15, 1988, the order pooling said unit should become null and void and of no effect whatsoever.

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

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

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Strawn formation underlying the E/2 SE/4 of Section 7, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit within the Northeast Lovington-Pennsylvanian Pool, to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 7.

PROVIDED HOWEVER, the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1988, 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 September, 1988, Ordering Paragraph No. (1) 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 Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Foran Oil Company is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days 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.

(4) 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.

(5) 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 objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well 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.

(7) 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.

(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.

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

(9) \$5000.00 per month while drilling and \$500.00 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.



(10) 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.

(11) 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.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately 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.


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

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

(15) 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

S E A L

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:

REOPENED

CASE NO. 9391  
ORDER NO. R-8674-A

APPLICATION OF FORAN OIL COMPANY  
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 October 26, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of December, 1988, 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) Division Order No. R-8674, issued in Case No. 9391 and dated June 24, 1988, compulsorily pooled all mineral interests in the Strawn formation underlying the E/2 SE/4 of Section 7, Township 16 South, Range 37 East, NMPM, Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for said pool to be dedicated to a well to be drilled by September 15, 1988 at a standard oil well location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 7. Also included and considered in said Order were provisions for the costs of drilling said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

(3) Subsequent to the issuance of said Order No. R-8674, the Division granted an extension of time in which to begin the subject well until December 31, 1988.

(4) The applicant in the original case, Foran Oil Company, now seeks to reopen Division Case No. 9391 in order to pool the interests of Home-Stake Royalty Corporation and the Home-Stake Oil and Gas Company and to include said interests into the provisions of said Order No. R-8674.

(5) At the time of the original hearing held on June 8, 1988, Foran Oil Company had obtained a voluntary agreement for the commitment of The Home-Stake Royalty Corporation and The Home-Stake Oil & Gas Company interest in this spacing and proration unit and therefore did not name these parties in its original pooling application.

(6) Thereafter, The Home-Stake Royalty Corporation and The Home-Stake Oil and Gas Company have taken the position that their approximately 7.8125% interest in this well and its proposed spacing unit are not now voluntarily committed to the well.

(7) In order to obtain its just and equitable share of the potential production underlying the subject 80-acre unit, approval of this application pooling the subject mineral interests involved would protect the applicant's correlative rights and prevent waste.

(8) All provisions set forth in said Order No. R-8674 and any subsequent time extensions for the drilling of the subject well shall remain in full force and effect and shall also include therein the interests of Home-Stake Royalty Corporation and Home-Stake Oil and Gas Company.

IT IS THEREFORE ORDERED THAT:

(1) The application of Foran Oil Company to include the interests of Home-Stake Royalty Corporation and Home-Stake Oil and Gas Company in the provisions of Division Order No. R-8674 is hereby approved.

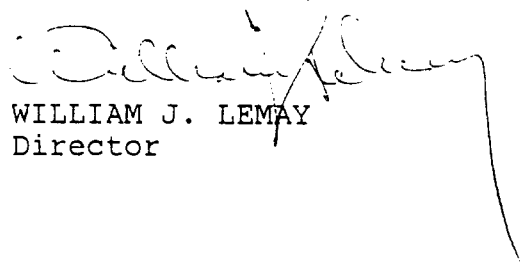
(2) Said Order No. R-8674 shall remain in full force and effect and shall also include therein the approximate 7.8125 percent interests of Home-Stake Royalty Corporation and Home-Stake Oil and Gas Company.

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

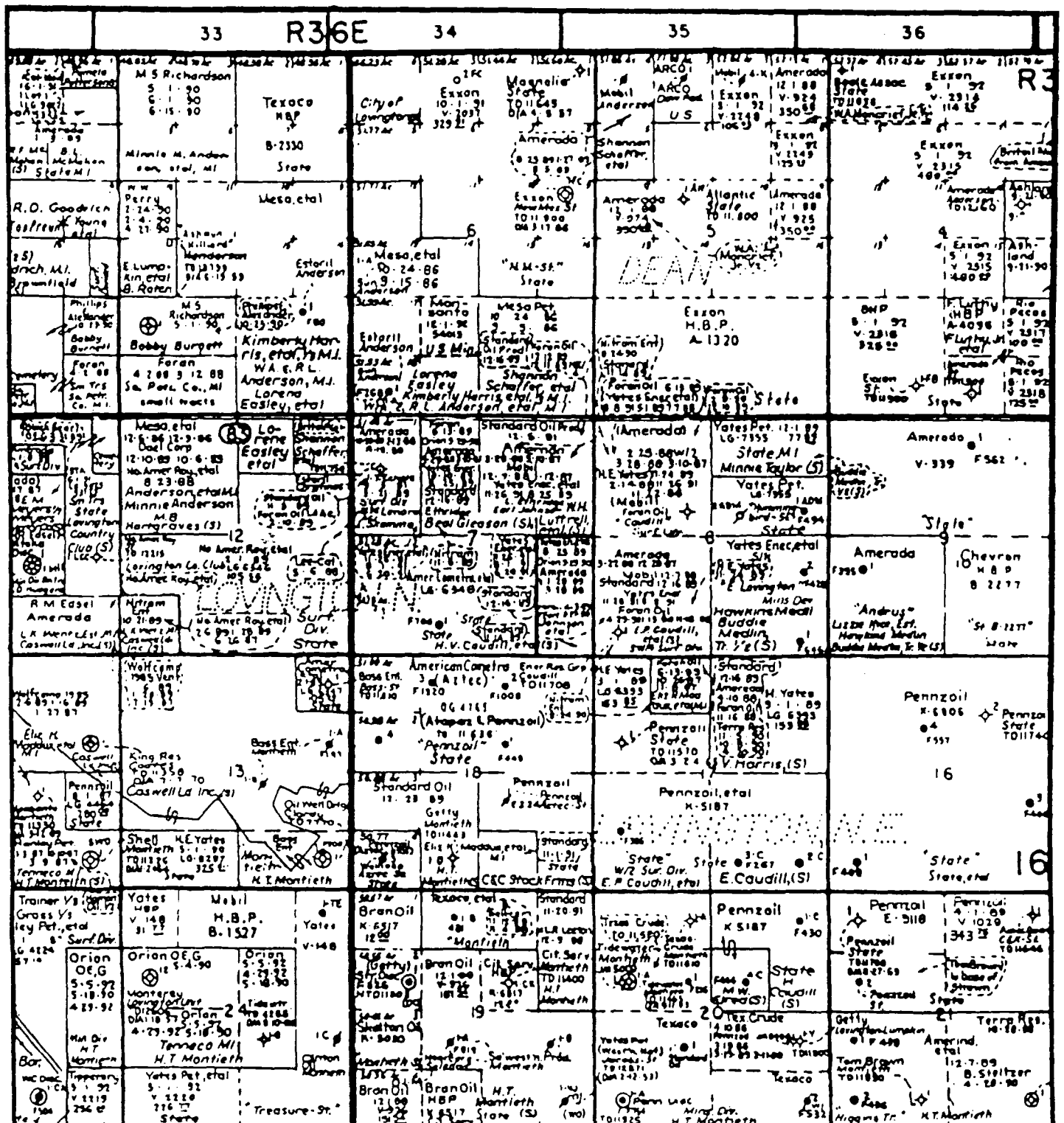
Case No. 9391  
Order No. R-8674-A  
Page No. 3

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

S E A L

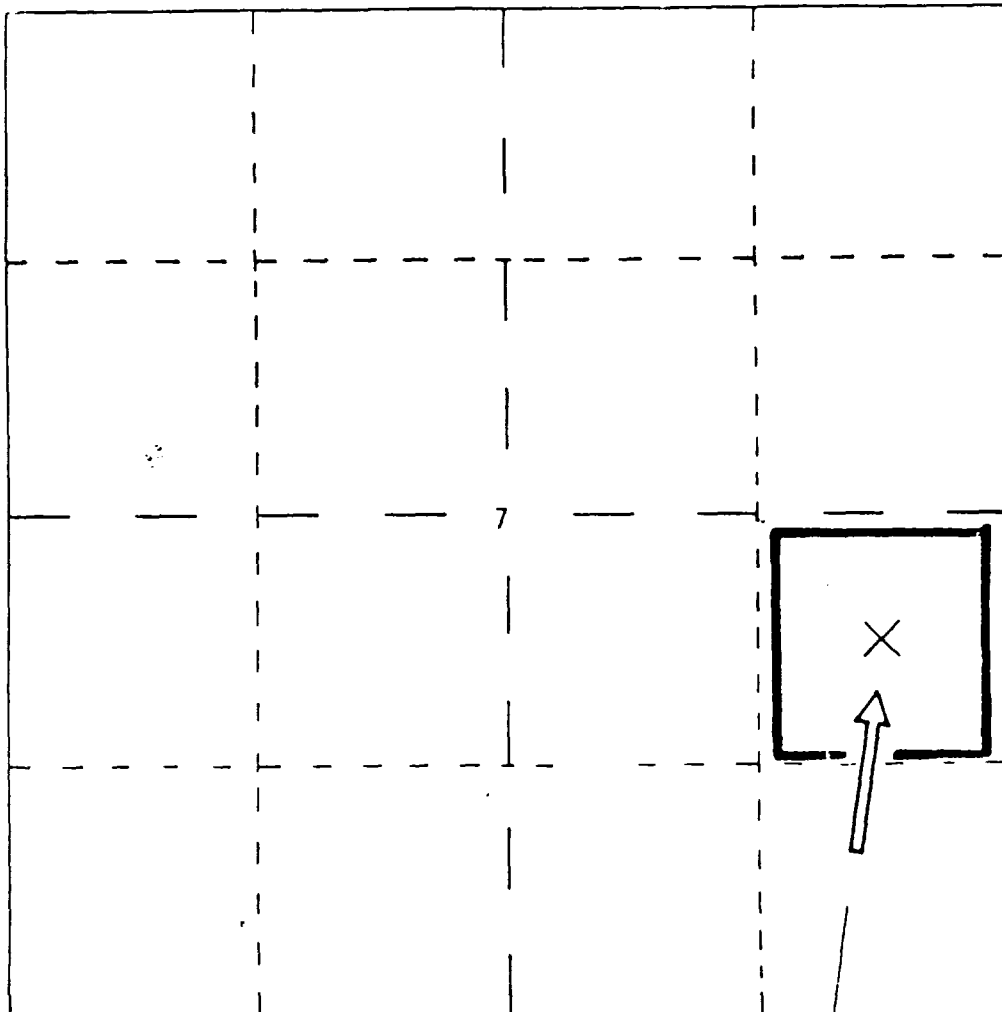




PROPOSED LOCATION

Ethridge 1-7  
Section 7: NE/4 SE/4  
T16S - R37E  
Lea County, New Mexico

South Dean Prospect



at a legal location

1" = 1000 FT.

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
Foran	EXHIBIT NO. 2
CASE NO. 9391- Roopen	

FORAN OIL COMPANY  
SUITE 158, PECAN CREEK  
13111 MEADOW ROAD  
DALLAS, TEXAS 75241  
(214) 373-8792

BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION

Foran EXHIBIT NO. 15

CASE NO. 9391

# ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE February 26, 1988

AFF NO \_\_\_\_\_ LEASE NAME ETHRIDGE 1-7

PROSPECT  
NAME South Dean

DESCRIPTION Drill & Equip A 11,800' Strawn Test

COUNTY Lea STATE New Mexico

LOCATION SEC 7: ESE,  
T16S-R37E

OPERATOR Foran Oil Company

	DRY HOLE WITHOUT PIPE	COMPLETED WELL
LOCATION & DAMAGES	23,100	24,500
FOOTAGE/MINUTE <u>11,800' @ \$12.70/Ft.</u>	149,860	149,860
CONTRACT DRILLING DAYWORK <u>\$4200/Day</u>	12,600	16,800
CEMENTING & SERVICES	14,000	22,000
DRILL STEM TEST & CORING	5,600	5,600
LOGGING	24,000	24,000
GEOLOGICAL	7,500	7,500
MUD MATERIALS	18,400	18,400
TRUCKING & LABOR	7,500	10,000
SUPERVISION	10,500	14,700
BITS & EQUIPMENT RENTAL	11,000	11,500
FUEL/WATER	2,000	3,000
COMBINED FIXED RATE	6,000	8,000
PLUGGING & ABANDONMENT	-	-
WELL SURVEYS/TEST SERVICES	-	-
COMPLETION UNIT	-	7,500
CENTRALIZERS & SCRATCHERS	-	-
PERFORATING/LOGGING	-	7,500
FRAC END/OR ACID	-	5,500
OTHER	-	-
CONTINGENCY	20,000	25,000
TOTAL INTANGIBLE	312,060	363,360

	DRY HOLE WITHOUT PIPE	COMPLETED WELL
CASING CONDUCTOR	-	-
CASING SURFACE <u>450' 13-3/8" @ \$24.50/Ft.</u>	11,025	11,025
CASING INTERMEDIATE <u>4600' 8-5/8" @ \$14.60/Ft.</u>	67,160	67,160
LINER DRILLING	-	-
CASING PRODUCTION <u>11800' 5 1/2" @ \$ 9.95/Ft.</u>	-	117,410
LINER PRODUCTION	-	-
TUBING <u>11700' 2-3/8" @ \$ 3.25/Ft.</u>	-	38,025
WELL HEAD	4,000	7,000
OTHER SUB-SURFACE EQUIP	-	-
TANKS	-	7,500
SEPARATORS & HEATERS	-	14,500
FLOW LINES	-	3,000
RODS	-	3,000
PUMP UNIT & ENGINE	-	-
INSTALLATION COSTS	2,500	10,500
NON-CONTROLLED EQUIP	-	1,200
TOTAL EQUIPMENT	84,685	282,120
TOTAL WELL COSTS	396,745	645,480

APPROVALS  
FORAN OIL COMPANY

WORKING INTEREST \_\_\_\_\_ % BY \_\_\_\_\_

DATE 2/26/88

NON-OPERATOR \_\_\_\_\_

THE HOME-STAKE ROYALTY CORPORATION

WORKING INTEREST \_\_\_\_\_ % BY \_\_\_\_\_

DATE 10/6/88



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

January 12, 1989

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

*Case 9391*

Ms. Barbara Courtney  
Manager, Land Department  
The Home-Stake Royalty Corporation  
The Home-Stake Oil & Gas Company  
2800 First National Tower  
Tulsa, Oklahoma 74103

Dear Ms. Courtney:

Enclosed are the copies you requested of the letters granting approval of two extensions of time for beginning the well pooled by Division Order No. R-8674. I am also enclosing copies of the letters from Mr. Thomas Kellahin, legal counsel for Foran Oil Company, requesting said extensions.

If you need any further correspondence or information regarding this matter, please let me know.

Sincerely,

Florene Davidson  
OC Staff Specialist

enc.





The Home-Stake Royalty Corporation  
The Home-Stake Oil & Gas Company  
2800 First National Tower  
Tulsa, Oklahoma 74103

918-583-0178

January 11, 1989

Ms. Florene Davidson  
New Mexico Oil and Gas Conservation Division  
310 Old Santa Fe Trail  
Room 206  
Santa Fe, NM 87503

RECEIVED

JAN 11 1989

OIL CONSERVATION DIVISION

RE: Case No. 9391  
Order No. R-8674, 8674-A  
E/2 SE/4 - Sec. 7-16S-37E  
Lea County, NM  
M0417011W

Dear Ms. Davidson:

Per our phone conversation today would you please forward copies of all extensions of the above order. Thank you so much for your cooperation and the courtesies extended in our phone conversations.

Very truly yours,

THE HOME-STAKE ROYALTY CORPORATION  
THE HOME-STAKE OIL & GAS COMPANY

Barbara Courtney  
Manager, Land Department

BAC/mai



The Home-Stake Royalty Corporation  
The Home-Stake Oil & Gas Company

2800 First National Tower  
Tulsa, Oklahoma 74103

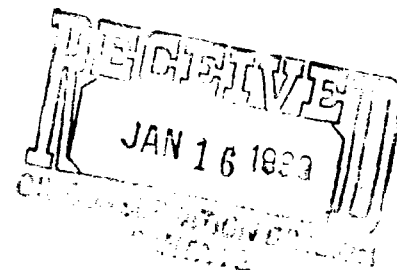
January 12, 1989

918-583-0178

EXPRESS MAIL

Mr. Joe Foran  
Foran Oil Company  
Suite 158, Pecan Creek  
8340 Meadow Road  
Dallas, TX 75231

RE: New Mexico Oil Conservation Division  
Case No. 9391  
Order No. R-8674, R-8674-A  
E/2 SE/4 - Section 7-16S-37E  
Lea County, New Mexico  
M0417011W



Dear Mr. Foran:

After much discussion with R. Michael Stogner of the New Mexico Oil and Gas Division, he has advised me that the above order has expired and it will therefore not be necessary that we make an election.

Very truly yours,

THE HOME-STAKE ROYALTY CORPORATION

Barbara Courtney  
Manager, Land Department

BAC/mai

CC: Mr. Michael Stogner ✓  
New Mexico Oil and Gas Conservation Division  
310 Old Santa Fe Road  
Room 306  
Santa Fe, NM 87503