

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

First Northern Plaza
P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 9887577

June 7, 1984

Oil Conservation Commission
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 8285

ATTN: Joe D. Ramey, Director

RE: Case No. 8117
Order No. R-7482
Application for De Novo Hearing
Greenwood Resources, Inc.

Dear Mr. Ramey:

This letter responds to the Application for De Novo Hearing filed on behalf of Greenwood Resources, Inc. by W. Thomas Kellahin of the law firm of Kellahin & Kellahin.

First, Greenwood Resources, Inc. was not represented at the hearing concerning Case No. 8117. The obvious basis for the Application for De Novo Hearing is that the notice given by the Oil Conservation Division is insufficient and, therefore, the due process rights of Greenwood Resources, Inc. are violated. In this connection, Slayton Oil Corporation complied with all the notice requirements currently mandated by the Oil Conservation Division. The rules and regulations of the Division do not, in this type of case, require personal notice to be given to off-setting owners.

Second, Section 70-2-13, NMSA, 1978 Compilation, states that any party adversely affected shall have the right to have a hearing heard De Novo before the Oil Conservation Commission upon application filed within thirty days after a decision is rendered by the Oil Conservation Division. In this context, Greenwood Resources, Inc., whatever its excuse is, neither entered an appearance at the time of hearing and, therefore, is not a party nor timely asked for a De Novo hearing within thirty days following the issuance of Order R-7482.

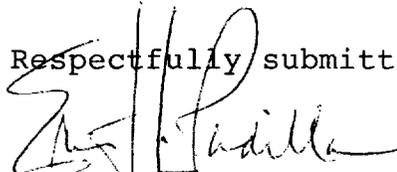
Third, this case, if re-opened, will involve issues concerning whether the Commission has jurisdiction over Indian lands underlying the proration unit created by the referenced Order.

Joe D. Ramey, Director
Oil Conservation Division
June 7, 1984
Page 2

The testimony and evidence at hearing demonstrated that the proposed proration and spacing unit was necessary in order to avoid these jurisdictional problems. The question, alone, of the ownership of the riverbed of the San Juan River is an extremely complex and thorny problem. A more practical solution to the problem which Greenwood Resources, Inc. proposes is that it could merely enlarge its existing proration unit to the North.

In summary, we submit that the application and the relief requested therein of Greenwood Resources, Inc. should be denied in its entirety. This application we submit is an opportunistic grab for a share in a well which has been successfully drilled.

Respectfully submitted,



Ernest L. Padilla

ELP/bv

cc: Slayton Oil Company
W. Thomas Kellahin



Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

June 8, 1984

Mr. Joe D. Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case 8117
Order R-7482

Dear Mr. Ramey:

On May 31, 1984, on behalf of Greenwood Resources, I filed an application for a DeNovo Hearing in the referenced case. That application is pending before the Commission.

Today I received a copy of a letter dated June 7, 1984, to you from Mr. Ernest L. Padilla, attorney for Slayton Oil Corporation.

Please find enclosed for filing another application on behalf of my client seeking a hearing to vacate Division Order R7482 pursuant to Section 70-2-6 NMSA-1978 and in accordance with the Division's retained jurisdiction as set forth in paragraph (2) of R-7482.

Mr. Padilla's letter states that if this case is re-opened that the Commission will have to decide issues relating to its jurisdiction over indian lands. Mr. Padilla further states that the non-standard unit application was necessary to avoid those jurisdictional issues. We have made a careful search of the Oil Commission statutory authority and do not find that you are justified in approving a non-standard proration unit just to avoid a jurisdictional dispute over indian lands.

Section 70-2-6 NMSA-1978 states in part that "The Division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state."

RECEIVED
JUN - 8 1984
OIL CONSERVATION DIVISION

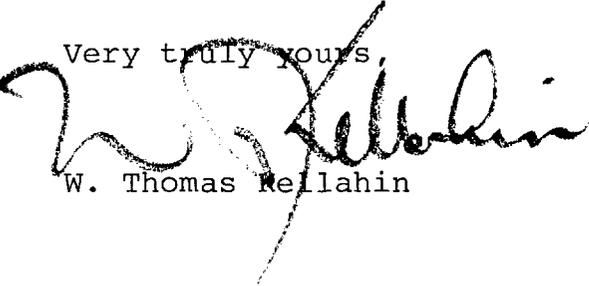
Case 8285

KELLAHIN and KELLAHIN

Mr. Joe D. Ramey
June 8, 1984
Page 2

Your statutory authority DOES NOT state "...Except when it involves indian lands." In addition, our copy of the map of the State of New Mexico shows that this acreage is still a part of the State of New Mexico. Until an appropriate court or the New Mexico legislature states to the contrary, you have no alternative but to set this matter for hearing in order to protect the correlative rights of Greenwood Resources.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive style with a large, sweeping initial "W".

W. Thomas Kellahin

WTK:ca
Enc.

cc: Greenwood Resources
315 Inverness Way South
Englewood, Colorado 80112

Ernest L. Padilla, Esq.
P. O. Box 2523
Santa Fe, New Mexico 87501

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

First Northern Plaza
P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 988-7577

W. Thomas Kellahin

July 25, 1984

HAND DELIVERED

RECEIVED

JUL 25 1984

OIL CONSERVATION DIVISION

Joe D. Ramey, Director
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

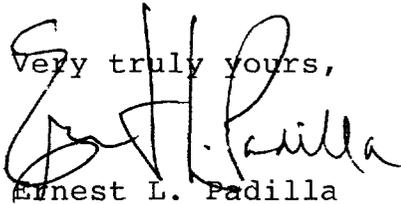
RE: OCD Case 8285

Dear Mr. Ramey:

On behalf of Slayton Oil Corporation, I request a continuance of the above referenced case which is set for August 1, 1984.

Denny Foust, who will be my witness in the case is severely pressed to prepare for and attend the hearing due to a very recent surgery which his wife had to undergo.

Thank you for your consideration.

Very truly yours,

Ernest L. Padilla

ELP/bv

cc: W. Thomas Kellahin, Esq.
Slayton Oil Corporation
Denny Foust

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

First Northern Plaza
P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 988-7577

August 2, 1984

HAND DELIVERED

Joe D. Ramey
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

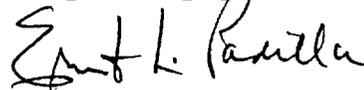
RE: Case 8285

Dear Mr. Ramey:

Pursuant to your instructions at the close of the hearing on Wednesday, enclosed is a draft proposed Order submitted on behalf of Slayton Oil Corporation.

Please let me know if you need additional information or if I can be of additional assistance.

Very truly yours,

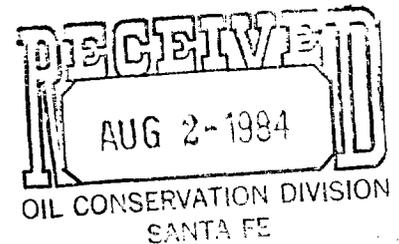


Ernest L. Padilla

ELP/bv

Enc

cc: Slayton Oil Corporation w/enc
Denny Foust w/enc
W. Thomas Kellahin, Esq., w/enc
Karen Aubrey, Esq., w/enc



ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF GREENWOOD PROPERTIES, INC. TO
VACATE AND VOID DIVISION ORDER
NO. R-7482, SAN JUAN COUNTY,
NEW MEXICO

CASE NO. 8285

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 A.M. on August 1, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission.

NOW, on this ____ day of August, 1984, the Commission, having considered the testimony, the record, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Greenwood Properties, Inc. seeks to vacate and void Division Order No. R-7482 which was issued by the Oil Conservation Division on March 29, 1984.
- (3) That Slayton Oil Corporation, applicant under Order No. R-7482, appeared in opposition to the application herein.
- (4) That Order R-7482, after notice and hearing, authorized a 70.57 acre non-standard oil proration unit comprised of Lots 8 and 9 of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico in the Cha Cha Gallup Oil Pool.
- (5) That the application of Greenwood Properties, Inc., if approved by the Commission, would vacate Order R-7482 and require Slayton Oil Corporation to dedicate 80 acres to its Northwest Cha Cha Unit 32-18 well located in Lot 8 of Section 18, Township 29 North, Range 14 West, NMPM.
- (6) That the application of Greenwood Properties, Inc., if approved, would require the inclusion of approximately 9.7 acres which it contends should be included in the oil proration unit dedicated to the Northwest Cha Cha Unit 32-18 well.
- (7) That said 9.7 acres appear to lie within the riverbed of the San Juan River as it transects the northern portion of said Section 18 in an East-West direction.

(8) That evidence introduced and testimony adduced at the hearing of this cause has raised legal issues relating to ownership of the mineral interests underlying the riverbed of the San Juan River which are beyond the jurisdiction of the Commission.

(9) That applicant by virtue of its Kirtland No. 4 well located in Lots 4 and 5, its Kirtland No. 11 located in Lots 3 and 7, and its Kirtland No. 3 located in Lots 1 and 2 all in Section 18, Township 29 North, Range 14 West, NMPM, is receiving its just and equitable share of production of oil from the Cha Cha Gallup Pool.

(10) That the applicant has plans to drill an additional well in Lot 1 of said Section 18, permitted by Cha Cha Gallup pool rules, which would enhance applicant's opportunity to recover additional oil reserves in that area of said Section 18 north of the San Juan River.

(11) That Slayton Oil Corporation cannot, under current established proration units, south of the San Juan River, effectively offset all of applicant's current wells and proposed well north of the San Juan River.

(12) That the Division has previously, in addition to Order R-7482, granted approval for two other non-standard oil proration units in said Section 18 due in part to the location of the San Juan River, and that these orders have not been challenged by applicant..

(13) That applicant has failed in its burden to show that Order R-7482 should be vacated and that therefore its application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application herein is and the same is hereby denied.

(2) That Order R-7482 is and shall continue to be a duly authorized and issued order of the Division.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

August 2, 1984

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AUG 2 1984

OIL CONSERVATION DIVISION

Mr. Joe D. Ramey
Director
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

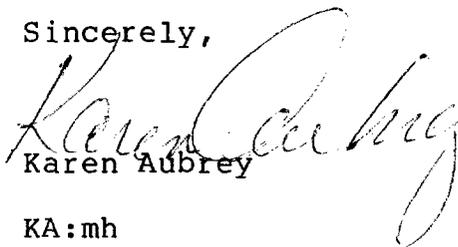
Re: Case No. 8285
Application of Greenwood Resources, Inc., to
Vacate and Void Division Order R-7482, San Juan
County, New Mexico

Dear Mr. Ramey:

Enclosed please find a proposed Order for your
consideration in connection with the above
application. Testimony on the application was
presented on August 1, 1984.

If I may provide additional information to you,
please don't hesitate to call me.

Sincerely,



Karen Aubrey

KA:mh

Enclosure

cc: Ms Linda Price
Greenwood Resources
315 Inverness Way South
Englewood, Colorado 80112

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

RECEIVED

AUG 12 1984

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

OIL CONSERVATION DIVISION

CASE NO. 8285

ORDER NO. _____

APPLICATION OF GREENWOOD
RESOURCES, INC., TO
VACATE AND VOID DIVISION
ORDER R-7482,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause having come on for hearing at 9:00 o'clock A.M. on August 1, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission.

NOW, on this _____ day of _____, 1984, the Commission, having considered the testimony, the record, and the evidence presented, and being fully advised in the premises,

FINDS:

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

(2) That the Applicant, Greenwood Resources, Inc., seeks to vacate and void Division Order R-7482, including 13 acres more or less, of riparian lands South of the center of the river, which authorized a 70.57 acre non-standard proration unit for Slayton Oil Corporation, comprised of lots 8 and 9, Section 18, Township 29 North, Range 14 East in the Cha Cha Gallup Oil Pool.

(3) Greenwood Resources Inc., is an interested and affected party in the New Mexico Oil Conservation Division case No. 8117 which resulted in Division Order R-7482 being entered on March 29, 1984. Division Order R-7482 provided that the Division retain jurisdiction of that cause for the entry of such other and further Orders as the Division deem necessary.

(4) At all times material hereto, Greenwood Resources has been willing and able to voluntarily form a standard proration and spacing unit with Slayton Oil Corporation for a well to be drilled in the Cha Cha Gallup Oil Pool in the S/2 of the N/E 4 of Section 18, T29N, R14W, NMPM.

(5) That Division Order R-7482 created a hiatus of 9.7 acres which is dedicated to no proration unit in the Cha Cha Gallup Pool.

(6) That Order R-7482 violates the correlative rights of the Mineral Interest Orders in the 9.7 acre tract in which Greenwood Resources is the mineral lessee.

(7) That no evidence was presented by Slayton Oil Corporation in Case No. 8117 to justify the creation of a 70.57 acre non-standard proration unit.

(8) That Slayton Oil Corporation had knowledge of Greenwood Resources ownership of the minerals underlying the 9.7 acre tract.

(9) That it is possible to communitize Indian and non-Indian land and, therefore, ownership of the fee in the Navajo nation is not a bar to the dedication of the 9.7 acre tract to a standard proration unit.

IT IS THEREFORE ORDERED THAT:

(1) The Application of Greenwood Resources to vacate and void Division Order R-7482, San Juan County, New Mexico, is granted.

- 3 -

Case No. 8285

Order No. _____

(2) That Division Order R-7482 is vacated nunc pro tunc as of March 29, 1984.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

TONY ANAYA
 GOVERNOR

August 13, 1984

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

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

Re: CASE NO. 8225
 ORDER NO. R-7630

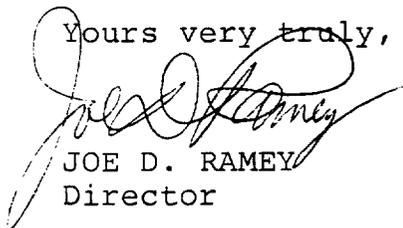
Applicant:

Greenwood Properties, Inc.

Dear Sir:

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

Yours very truly,


 JOE D. RAMEY
 Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD x

Other Ernest L. Padilla