

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN  
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN  
OF COUNSEL

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

January 15, 1991

RECEIVED

JAN 15 1991

OIL CONSERVATION DIV.  
SANTA FE

Case 10235

Mr. William J. LeMay  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87502

Re: Strata Energy Resources Corporation for  
Compulsory Pooling, Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Strata Energy Resources Corporation,  
please find enclosed our Application for Compulsory -  
Pooling which we request be set for hearing on the next  
available Examiner's docket now scheduled for February 7,  
1991.

By copy of this letter to all parties to be pooled,  
we are notifying them by certified mail, return receipt  
requested, that they have the right to appear at the  
hearing, to make a statement to the Division, to present  
evidence and cross-examine witnesses either in support of  
or in opposition to the application. In addition, they  
are advised that the entry of a compulsory pooling order  
will affect their rights to share in the production from  
the subject well.

Sincerely,



Candace Hamann Callahan

CHC/tic  
Enclosure

xc: Ray Diaz  
Strata Energy Resources Corporation  
28202 Cabot Road, Suite 250  
Laguna Niguel, California 92677

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN  
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN  
OF COUNSEL

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

February 7, 1991

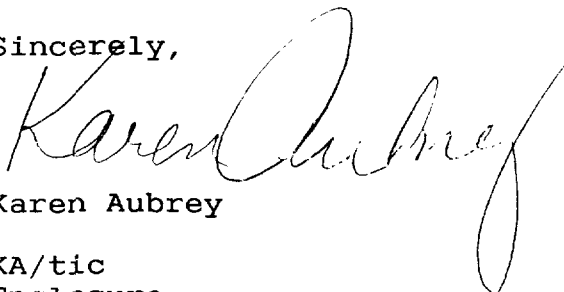
Michael Stogner  
Examiner  
New Mexico Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico 87504

Re: Case No. 10235 *m. s.*  
Application of Strata Energy Resources Corporation  
for Compulsory Pooling, Lea County, New Mexico

Dear Mr. Stogner:

I enclose a draft order which we have prepared in order to assist the Division in the above captioned case. As we discussed at the hearing, Strata needs to spud this well by March 15, 1991, and we would appreciate it if you could expedite the entry of an order pooling the non-consenting working interest owners.

Sincerely,



Karen Aubrey

KA/tic  
Enclosure

xc: Ray Diaz

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

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

CASE NO. 10235  
ORDER NO. R-

APPLICATION OF STRATA ENERGY RESOURCES  
CORPORATION FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO

STRATA ENERGY RESOURCES CORPORATION'S  
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of February, 1991, 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.

CASE NO. 10235  
ORDER NO. R-  
PAGE 2

(2) The applicant, Strata Energy Resources Corporation, seeks an order pooling all mineral interests from the surface to the base of the Drinkard-Abo formation or 7800 feet subsurface, whichever is deeper, forming either a standard 40-acre oil spacing and proration unit consisting of the SW/4NE/4 of Section 14, T. 19 S., R. 38 E., N.M.P.M., Lea County, New Mexico, or, alternatively, a 160-acre gas spacing and proration unit consisting of the NE/4 of Section 14, T. 19 S., R. 38 E., N.M.P.M., Lea County, New Mexico, for any and all formations and or pools developed on 40-acre oil spacing, or, alternatively, 160-acre gas spacing, within said vertical extent which presently includes but is not necessarily limited to the Nadine Drinkard-Abo Pool.

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

(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 prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense her/ his just and fair share of the

CASE NO. 10235  
ORDER NO. R-  
PAGE 3

hydrocarbons from any pool affectede by this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The LBO New Mexico Inc., a New Mexico corporation, 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 her/ his share of estimated well costs to the operator in lieu of paying her/ his share of reasonable well costs out of production.

(8) Any non-consenting working interest owner who does not pay her/ his share of estimated well costs should have withheld from production her/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.

(9) All non-consenting interest owners 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 her/ his share of estimated costs should pay to the operator any amount that

CASE NO. 10235  
ORDER NO. R-  
PAGE 4

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 \$550.00 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 in Lea County 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 drilling of the well to which said unit is dedicated on or before \_\_\_\_\_, 1991, the order pooling said unit should become null and void and of no further effect whatsoever.

CASE NO. 10235  
ORDER NO. R-  
PAGE 5

(14) 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.

(15) 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 Drinkard-Abo formation or 7800 feet subsurface, whichever is deeper, forming either a standard 40-acre oil spacing and proration unit consisting of the SW/4NE/4 of Section 14, T. 19 S., R. 38 E., N.M.P.M., Lea County, New Mexico, or, alternatively, a 160-acre gas spacing and proration unit consisting of the NE/4 of Section 14, T. 19 S., R. 38 E., N.M.P.M., Lea County, New Mexico, are hereby pooled for any and all formations and or pools developed on 40-acre oil spacing, or, alternatively, 160-acre gas spacing, within said vertical extent which presently includes but is not necessarily limited to the Nadine Drinkard-Abo Pool. Said unit is to be dedicated to a well to be drilled at a standard well location thereon.

CASE NO. 10235  
ORDER NO. R-  
PAGE 6

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 1991, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard-Abo formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 1991, Decretory 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 Decretory Paragraph No. (1) of this order should not be rescinded.

(2) LBO New Mexico is hereby designated the operator of the subject well and unit.



CASE NO. 10235  
ORDER NO. R-  
PAGE 7

(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 her/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 an 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 her/his share of estimated costs in advance as provided above shall pay to the operator a pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator a 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 her/his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; 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

CASE NO. 10235  
ORDER NO. R-  
PAGE 9

her/his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished.

(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 \$550.00 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 the subject 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.

CASE NO. 10235  
ORDER NO. R-  
PAGE 10

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

(14) 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.

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

CASE NO. 10235  
ORDER NO. R-  
PAGE 11

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

BRUCE KING  
GOVERNOR

May 6, 1991

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

Ms. Karen Aubrey  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Dear Ms. Aubrey:

Based upon your letter of April 30, 1991, and in accordance with the provisions of Division Order No. R-9446, Strata Energy Resources Corporation is hereby granted an extension of time in which to begin the well on the unit pooled by said order until August 15, 1991.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Lemay", with a long horizontal line extending to the right.

WILLIAM J. LEMAY  
Director

WJL/fd

cc: ✓ Case File No. 10235  
Oil Conservation Division - Hobbs

OIL CONSERVATION DIVISION  
RECEIVED

'91 MAY 3 AM 8 53

W. THOMAS KELLAHIN  
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN  
OF COUNSEL

**KELLAHIN, KELLAHIN AND AUBREY**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

April 30, 1991

Mr. William J. LeMay  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Request of Strata Energy Resources  
Corporation for an Extension of Order  
R-9446, NMOCD Case No. 10235

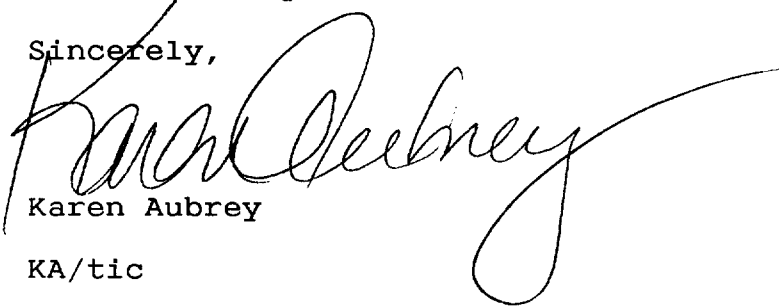
Dear Mr. LeMay:

On behalf of Strata Energy Resources Corporation, we  
request the Oil Conservation Division grant an Extension  
of Order R-9446 for an additional 120 days.

Strata Energy is attempting to conclude negotiations  
with its partners to drill this well.

If you have any questions or desire further  
information, please contact me.

Sincerely,



Karen Aubrey

KA/tic

xc: Ray Diaz  
Strata Energy Resources Corporation  
28202 Cabot Road, Suite 550  
Laguna Niguel, California 92677

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

August 6, 1991

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

Ms. Karen Aubrey  
Kellahin, Kellahin and Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Dear Ms. Aubrey:

Based upon your letter of July 31, 1991, and in accordance with the provisions of Division Order No. R-9446, Strata Energy Resources Corporation is hereby granted an additional extension of time in which to begin the well on the unit pooled by said order until October 15, 1991.

This will be the last extension granted for the drilling of the subject well. Should Strata need additional time in which to begin drilling, it will be necessary to reopen the case at an examiner hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Lemay".

WILLIAM J. LEMAY  
Director

WJL/fd

cc: ✓ Case No. 10235  
Oil Conservation Division - Hobbs



KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN  
KAREN AUBREY

JASON KELLAHIN  
OF COUNSEL

N DIVISION  
TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

July 31, 1991

Mr. William J. LeMay  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Request of Strata Energy Resources  
Corporation for an Extension of Order  
R-9446, NMOCD Case No. 10235

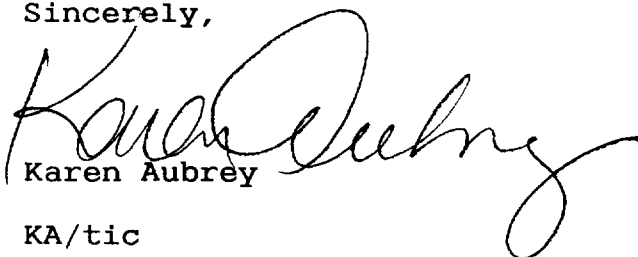
Dear Mr. LeMay:

On behalf of Strata Energy Resources Corporation,  
we request the Oil Conservation Division grant a second  
Extension of Order R-9446 for 60 days until October 15,  
1991.

Strata Energy continues to attempt to conclude  
negotiations with its partners to drill this well.

If you have any questions or desire further  
information, please contact me.

Sincerely,

  
Karen Aubrey

KA/tic

xc: Ray Diaz  
Strata Energy Resources Corporation  
28202 Cabot Road, Suite 550  
Laguna Niguel, California 92677

2056/1trk730.504

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

Strata Energy Resources Corporation

FLORENE DAVIDSON  
OC Staff Specialist

Other \_\_\_\_\_