

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

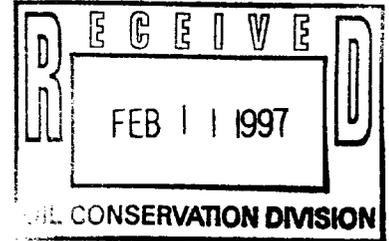
JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

February 11, 1997

HAND DELIVERED



Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

11740

**Re: UMC Petroleum Corporation's Townsend State Well No. 1
Irregular Section 2, T16S, R35E, NMPM
Application of Amerind Oil Company, Ltd.
for Compulsory Pooling, West Lovington-Strawn Pool,
Lea County, New Mexico**

Dear Mr. LeMay:

On behalf of Amerind Oil Company, Ltd. and Michael Shearn, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for March 6, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

cc: Amerind Oil Company, Ltd.
Attn: Robert C. Leibrock

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

IN THE MATTER OF THE APPLICATION
OF AMERIND OIL COMPANY, LTD. AND
MICHAEL SHEARN FOR COMPULSORY POOLING.
LEA COUNTY, NEW MEXICO.

CASE NO. 11740

A P P L I C A T I O N

Comes now AMERIND OIL COMPANY, Ltd. and Michael Shearn by their attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 9 and 16 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lovington-Strawn Pool. Said unit is to be dedicated to UMC Petroleum Corporation's State Well No. 1 being drilled and completed at a standard well location in Lot 16 of said Section 2. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Amerind Oil Company, Ltd. as the operator of the well and a charge for risk involved in said well.

In support of its application, Amerind Oil Company, Ltd. and Michael Shearn (collectively "Amerind") state:

1. Amerind has control of 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 9 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

2. UMC Petroleum Corporation has control of 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 16 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

3. Lot 9 and Lot 16 of Irregular Section 2 are located within the current boundaries of the West Lovington-Strawn Pool. **See Attached Exhibit 1.**

4. UMC Petroleum Corporation has commenced the drilling of its Townsend State Well No. 1 (**API 30-0-25-33713**) at a standard oil well location in Lot 16 of Section 2 to test any and all formations in the pooled interval from the surface to the base of the Strawn formation.

5. UMC Petroleum Corporation has failed to comply with the Special Rules and Regulations of the West Lovington-Strawn Pool by not forming a standard proration and spacing unit for the subject well.

6. The Special Rules and Regulations of the New Mexico Oil Conservation Division promulgated for the West Lovington Strawn Pool (Order R-9722, as amended), require that either Lot 15 or Lot 9 are the only lots in Irregular Section 2 which can be combined with Lot 16 in Irregular Section 2 to form a standard proration and spacing unit.

7. On December 20, 1996, Yates Petroleum Corporation and UMC Petroleum Corporation entered into a Joint Operating Agreement consolidating Lots 10 and 15 to form a standard proration and spacing unit for Yates' Field APK State Com Well No. 1 which has already been permitted to be drilled in Lot 10. UMC, by its own actions, is now precluded from dedicating Lot 16 with Lot 15. Thus Lot 9 is the only lot left which can be consolidated with Lot 16 to form a standard unit.

8. On February 6, 1997, in accordance with the Special Rules and Regulations for the West Lovington-Strawn Pool and pursuant to Section 70-2-17(C) NMSA (1978), Amerind agreed to pool its interest in Lot 9 with UMC's interest in Lot 16 to form an 80-acre standard proration and spacing unit and to join in the subject well.

9. Despite its good faith efforts, Amerind has been unable to obtain a written voluntary agreement from UMC Petroleum Corporation whose address is listed on Exhibit "A."

10. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Amerind needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

11. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 6, 1997.

WHEREFORE, Amerind, as applicant, requests that this application be set for hearing on March 6, 1997 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling, completing and operating the subject well at a standard well location upon terms and conditions which include:

- (1) Amerind Oil Company, Ltd. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

UMC Petroleum Corporation
410 17th Street, Suite 1400
Denver, Colorado 80202
Attn: Ed McLaughlin

11740

CASE ___: Application of Amerind Oil Company, Ltd. and Michael Shearn for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 9 and 16 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lovington-Strawn Pool. Said unit is to be dedicated to UMC Petroleum Corporation's Townsend State Well No. 1 being drilled and completed at a standard well location in Lot 16 of said Section 2. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the Amerind Oil Company, Ltd. as the operator of the well and a charge for risk involved in said well.

Said unit is located approximately 3-1/2 miles west from Lovington, New Mexico.