

RECEIVED

Reference _____

MAY - 2 1989
OIL CONSERVATION DIV.
SANTA FE

April 26, 1989

Robert C. Leibrock
Amerind Oil Company
Suite 500, Wilco Bldg.
415 W. Wall St.
Midland, TX 79701-4467

M.S.
Re: OCD Case #9567
Order #R-8849

Dear Mr. Leibrock,

First, I would like to thank you for your letter dated April 21, 1989 containing an accounting of total well costs to date for the State "29" Com No. 1.

Secondly, although the charges appear to be reasonable at first glance, I would like to request back-up for the following items:

- 1) Intangible Costs - Contract Services.....\$26,860.68
- 2) Intangible Costs - Legal and Title.....\$ 9,232.37
- 3) Operating Expense - Contract Services.....\$ 2,827.81

Your assistance in this matter will be greatly appreciated.

Very Truly Yours,

Whit Fentem
Controller

cc: Michele Madrone
William J. LeMay

AMERIND OIL Co.

4/21/89

State "29" Com No. 1

LEASE EQUIPMENT:

Surface casing	\$ 5,406.79
Intermediate casing	41,671.13
Production casing	59,940.66
Tubing	25,107.38
Electrical lines	8,050.06
Circulating pump	800.00
Tanks, heater-treaters	5,478.98
Separator	1,200.00
L.A.C.T unit	10,000.00
Vapor recovery unit	8,000.00
Fittings	<u>1,100.21</u>

TOTAL LEASE EQUIPMENT

\$166,755.21

INTANGIBLE COSTS:

Supervision	\$ 9,711.37
Geological	2,135.45
Drilling	157,613.41
Mud & chemicals	4,550.83
Acidizing	4,060.12
Fuel, power, utilities	851.59
Water	5,226.72
Seismic	272.00
Cementing	21,143.45
Surveying	263.44
Location	17,273.13
Contract services	26,860.68
Supplies	354.82
Equipment rental	7,039.36
Testing	2,424.96
Log and perf	16,137.36
Legal and title	9,232.37
Insurance	1,711.00
Drilling overhead	4,500.00
Miscellaneous	<u>59.25</u>

TOTAL INTANGIBLE

291,421.31

OPERATING EXPENSE:

Pumper salary and expense	\$ 938.16
Supervision	153.00
Administrative overhead	2,003.23
Power	799.20
Supplies	75.01
Oil treating and chemicals	1,251.32
Repairs	427.94
Contract services	2,827.81
Miscellaneous	<u>25.00</u>

TOTAL LEASE OPERATING EXPENSE

8,500.67

TOTAL

\$466,677.19

AMERIND OIL CO.

ROBERT M. LEIBROCK
ROBERT C. LEIBROCK

SUITE 500, WILCO BUILDING
415 WEST WALL STREET
MIDLAND, TEXAS 79701-4467

TELEPHONE (915) 682-8217
FACSIMILE (915) 686-0747

April 21, 1989

Fadanack

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RECEIVED

APR 24 1989

OIL CONSERVATION DIV.
SANTA FE

D

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

Attention: Mr. William J. LeMay

RE: OCD Case No. 9567
Order No. R-8849
Application of Amerind Oil Co.
for Compulsory Pooling
Lea County, New Mexico

Gentlemen:

Pursuant to the provisions of the above-referenced case and order, enclosed please find a statement of the cost of drilling, completion and lease operations for the State "29" Com No. 1 well through this date.

If you need anything further in this connection, please contact us.

Very truly yours,

Robert C. Leibrock

Robert C. Leibrock

mab

Enclosure

cc: Cibola Energy Corporation
Bill Seltzer

AMERIND OIL CO.

4/21/89

State "29" Com No. 1

LEASE EQUIPMENT:

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TOTAL LEASE EQUIPMENT \$166,755.21

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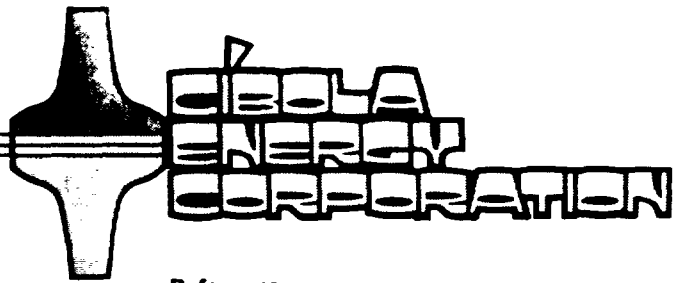
TOTAL INTANGIBLE 291,421.31

OPERATING EXPENSE:

Pumper salary and expense	\$ 938.16
Supervision	153.00
Administrative overhead	2,003.23
Power	799.20
Supplies	75.01
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Repairs	427.94
Contract services	2,827.81
Miscellaneous	<u>25.00</u>

TOTAL LEASE OPERATING EXPENSE 8,500.67

TOTAL \$466,677.19



Reference _____

February 23, 1989

Catanach
DE
FEB 27 1989

Attention: Mr. Bill Seltzer
Amerind Oil Company
415 W. Wall - Suite 500
Midland, Texas 79701

Re: Amerind Oil Case #9567
before the NMOCD and Order #R-8849
related to compulsory pooling covering
Amerind State 29 Com #1

Dear Mr. Seltzer:

We have received your AFE covering total estimated cost of the subject well of \$615,000. Cibola Energy Corporation owns approximately .0318 of 8/8ths of the well. We have, therefore, calculated that pursuant to the subject order we are to deliver to Amerind Oil \$19,557. This sum is to be paid to Amerind within thirty days of receipt of the AFE from you (January 26, 1989).

The day before yesterday I visited with you and asked that you verify the sum due as well as furnish me a bank account number in Midland to which I could transfer our payment to Amerind. You stated that the sum due is \$19,565.36. You further gave me Amerind's account #508-615-9 at the NCNB in Midland, Texas. We wired \$19,565.36 to this account today from the Bank of Albuquerque using route code 116-303-882 which you furnished us. Having discussed the matter with Mr. Lyons of the OCD I understand that we have now met all of those requirements necessary to avoid the force pooling penalty.

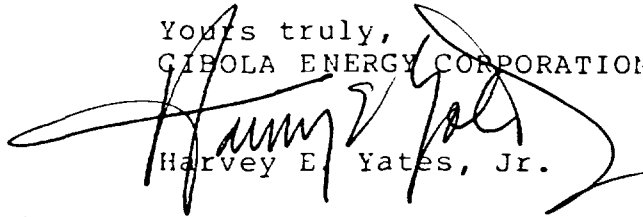
I understand from an earlier conversation with you that the actual cost of the well was less than estimated on the AFE. I would

Seltzer

Page 2

appreciate receiving an accounting of this as well as information related to the production of the well.

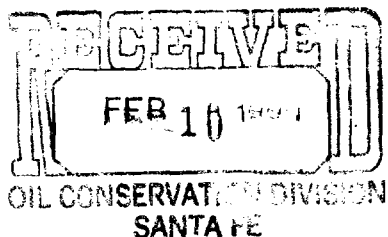
Yours truly,
GIBOLA ENERGY CORPORATION

A large, stylized handwritten signature in black ink, appearing to read "Harvey E. Yates, Jr.", is written over the typed name and company name.

Harvey E. Yates, Jr.

HEY:bmc

cc: William J. Lemay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

BILL SELTZER214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

Certified Mail

February 3, 1989

Re: OCD Case No. 9567;
Order No. R-8849
Application of Amerind
Oil Co. for Compulsory
Pooling, Lea County,
New Mexico

Catanach

Cibola Energy Corporation
1007 Marquette NW
Albuquerque, New Mexico 87102

Attn: Mr. Harvey E. Yates, Jr.

Dear Mr. Yates:

Enclosed herewith is a copy of the above referenced Order issued by the Oil Conservation Division, State of New Mexico on January 19, 1989, along with an AFE covering the cost of drilling and completing said test well.

Yours very truly,


Bill Seltzer
BS/kp
Atchs.

cc: William J. Lemay, Director
Oil Conservation Division
New Mexico Dept. of Energy,
Minerals and Natural Resources
State Land Office Building
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Amerind Oil Co.
415 W. Wall, Suite 500
Midland, Texas 79701

AMERIND OIL Co.
AUTHORIZATION FOR EXPENDITURE

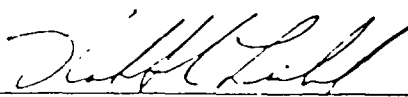
State "29" Com. No. 1
810' FWL & 1980' FNL
S/2 NW/4 Section 29, T16S, R37E
Lovington Penn, Northeast Field
Lea County, New Mexico

To drill and complete in the Strawn formation:

<u>INTANGIBLE</u>	<u>Casing Point</u>	<u>Pumping Completion</u>	<u>Total</u>
Drilling 11,400' @ \$13.00	\$148,000	\$	\$
Daywork - 3 @ \$4,250	13,000		
Drilling mud and water	10,000		
Location and surface damages	15,000		
Drill stem tests	3,000		
Log and perforate	20,000	5,000	
Cementing - surface 400 sx	4,000		
- inter. 1,800 sx	15,000		
- prod. 300 sx		5,000	
Supervision	5,000	5,000	
Geological & mud logging	8,000		
Contract services & equipment rentals	5,000	15,000	
Completion unit		5,000	
Acid treatment - cleanup		5,000	
Drilling and completion overhead	5,000	2,000	
Insurance	<u>3,000</u>		
TOTAL INTANGIBLE	\$254,000	\$ 42,000	\$296,000
 <u>TANGIBLE</u>			
Casing			
Surface 400' 12 3/4" 35.0# J55STC	\$ 7,000	\$	\$
Inter. 2,500' 8 5/8" 24.0# J55STC	22,000		
1,700' 8 5/8" 32.0# J55STC	22,000		
Prod. 11,400' 5 1/2" 17.0# & 20#		90,000	
Tubing 11,200' 2 7/8" 6.4# N80T&C		40,000	
Pumping equipment		60,000	
Wellhead and packer	6,000	7,000	
Tank battery & misc.		<u>40,000</u>	
TOTAL TANGIBLE	\$ 57,000	\$237,000	\$294,000
Contingencies	<u>14,000</u>	<u>11,000</u>	<u>25,000</u>
TOTAL	\$325,000	\$290,000	\$615,000

RECOMMENDED BY:

APPROVED BY:



Robert C. Leibrock

Date: October 25, 1988

Date: _____

BILL SELTZER214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701*N.M.S. 1/23/89*

Certified Mail

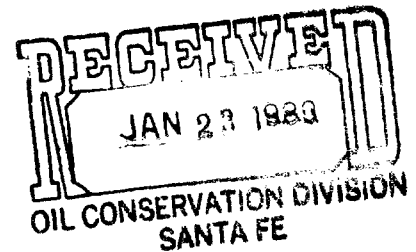
January 20, 1989

Re: OCD Case No. 9567;
Order No. R-8849
Application of Amerind
Oil Co. for Compulsory
Pooling, Lea County,
New MexicoCibola Energy Corporation
P.O. Box 1668
Albuquerque, New Mexico 87103Coronado Exploration Corporation
1007 Marquette NW
Albuquerque, New Mexico 87102

Attn: Mr. Harvey E. Yates, Jr.

Dear Mr. Yates:

Enclosed herewith is a copy of the above referenced Order issued by the Oil Conservation Division, State of New Mexico on January 19, 1989, along with an AFE covering the cost of drilling and completing said test well.



Yours very truly,

A handwritten signature in cursive script that reads "Bill Seltzer".

Bill Seltzer

BS:kp
Atchs.cc: William J. Lemay, Director
Oil Conservation Division
New Mexico Dept. of Energy,
Minerals and Natural Resources
State Land Office Building
P.O. Box 1148
Santa Fe, New Mexico 87504Amerind Oil Co.
415 W. Wall, Suite 500
Midland, Texas 79701

AMERIND OIL Co.

AUTHORIZATION FOR EXPENDITURE

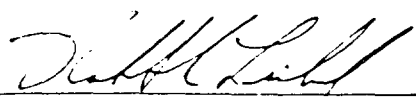
State "29" Com. No. 1
 810' FWL & 1980' FNL
 S/2 NW/4 Section 29, T16S, R37E
 Lovington Penn, Northeast Field
 Lea County, New Mexico

To drill and complete in the Strawn formation:

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Contingencies	<u>14,000</u>	<u>11,000</u>	<u>25,000</u>
TOTAL	\$325,000	\$290,000	\$615,000

RECOMMENDED BY:

APPROVED BY:



 Robert C. Leibrock

Date: October 25, 1988

Date: _____

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. 9567
Order No. R-8849

APPLICATION OF AMERIND 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 January 4, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of January, 1989, 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, Amerind Oil Company, seeks an order pooling all mineral interests from the base of the Paddock formation to the base of the Strawn formation underlying the S/2 NW/4 of Section 29, Township 16 South, Range 37 East, NMPM, to form a standard 80-acre oil spacing and proration unit for the Undesignated West Knowles-Drinkard and Undesignated Northeast Lovington-Pennsylvanian Pools, Lea County, New Mexico.

(3) The above described unit is to be dedicated to the applicant's State "29" Com Well No. 1 located at a standard oil well location 1980 feet from the North line and 810 feet from the West line (Unit E) of said Section 29, which has been drilled to the Strawn formation and which has been completed as a producing well in the Northeast Lovington-Pennsylvanian Pool.

(4) Cibola Energy Corporation (Cibola), the only interest owner in the proposed proration unit who has not agreed to pool its interest, appeared at the hearing in opposition to the application.

(5) The evidence indicates that the applicant has made a timely and reasonable attempt to secure a voluntary agreement with Cibola but has been unable to do so.

(6) 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 from the Northeast Lovington-Pennsylvanian Pool, or from any other pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(8) 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.

(9) 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 undertaken by the applicant at the time the subject well was drilled.

(10) 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.

(11) 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.

(12) \$4500.00 per month while drilling and \$450.00 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.

(13) 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.

(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, from the base of the Paddock formation to the base of the Strawn formation underlying the S/2 NW/4 of Section 29, Township 16

South, Range 37 East, NMPM, are hereby pooled to form a standard 80-acre oil spacing and proration unit for the Undesignated West Knowles-Drinkard and Northeast Lovington-Pennsylvanian Pools, Lea County, New Mexico, said unit to be dedicated to the applicant's existing State "29" Com Well No. 1 located at a standard oil well location 1980 feet from the North line and 810 feet from the West line (Unit E) of said Section 29.

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

(3) Within 30 days from the effective date of this order, 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, 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.

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

(9) \$4500.00 per month while drilling and \$450.00 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.

CASE NO. 9567
Order No. R-8849
Page -6-

(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

Victor J. Lyon
for WILLIAM J. LEMAY
Director

S E A L