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Santa Fé, New Mexico 87504-2265

October 4, 1988

RECEIVED

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OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail
Room 206
Santa Fe, NM 87503

Re: Foran Oil Company
Ethridge 1-7 Well
South Dean Prospect
NMOCD Case 9391, Order R-8674
Lea County, New Mexico

HAND DELIVERED

Case 9391

Dear Mr. LeMay:

Our firm represents Foran Oil company and has obtained Compulsory Pooling Order R-8674, which was issued June 24, 1988 and requires the commencement of drilling on or before November 15, 1988.

At the original hearing held on June 8, 1988, we had the interests of the Home-Stake Royalty Corporation and the Home-Stake Oil & Gas Company committed to a lease, and therefore they were not named as parties to be pooled.

Since the issuance of the order, Home-Stake has taken the position that their interest is not committed to the well. Therefore, we are requesting that the referenced case be reopened and set for hearing on October 26, 1988 in order to pool the Home-Stake interest.

The following is suggested as an advertisement for the docket and newspaper publication:

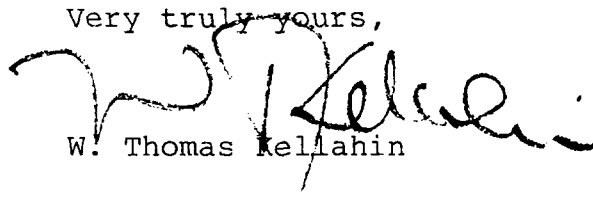
Application of Foran Oil Company to reopen Case 9391 and Compulsory Pooling Order R-8674, Lea County, New Mexico. Applicant, in the above styled cause, seeks to reopen Case 9391 and Order R-8674 in order to pool the interests of the Home-Stake Royalty Corporation and the Home-Stake Oil and Gas Company in the Ethridge 1-7 well to be drilled in the E/2SE/4 of Section 7, T16S, R37E, NMPM, Lea County, New Mexico and to be dedicated to the Northeast Lovington Pennsylvanian Pool.

KELLAHIN, KELLAHIN and AUBREY

Mr. William J. LeMay
October 4, 1988
Page Two

By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, 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. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have. 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.

Very truly yours,



W. Thomas Kellahin

WTK:lh

cc: Foran Oil Company
Mr. David Frye
The Home-Stake Royalty Corporation
(certified-return receipt)
The Home-Stake Oil & Gas Company
(certified-return receipt)

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

APPLICATION OF FORAN OIL COMPANY
TO REOPEN CASE 9391 TO ADD
ADDITIONAL PARTIES TO COMPULSORY
POOLING ORDER R-8674,
LEA COUNTY, NEW MEXICO

Case 9391

A P P L I C A T I O N

Comes now FORAN OIL COMPANY, by and through its attorneys, Kellahin, Kellahin and Aubrey and in accordance with Section 70-2-17(c) NMSA 1978, applies to the New Mexico Oil Conservation Division to reopen Division Case 9391 and to add additional parties to Division Order R-8674, which was an order pooling all mineral interests in the Strawn formation underlying the E/2SE/4 of Section 7, T16S, R37E, Northeast Lovington-Pennsylvanian Pool for the drilling completion and production from the Edridge 1-7 Well, and in support thereof would show:

1. Applicant, Foran Oil Company, after notice and hearing requested and obtained from the Oil Conservation Division Order R-8674 issued effective June 24, 1988 which pooled the above described acreage all as shown on Exhibit A attached hereto and incorporated by reference herein.

2. Thereafter the applicant obtained from the Division an extension of the commencement date for the drilling of the subject well which date will now expire on November 15, 1988.

3. At the time of the 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.

4. Thereafter, The Home-Stake Royalty Corporation and The Home-Stake Oil & Gas Company has 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.

5. Pursuant to the Division notice requirements, applicant has notified these companies of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on October 26, 1988.

6. In order to obtain its just and equitable share of the potential production underlying the above tract, applicant needs an order pooling the mineral interests involved in order to protect applicant's correlative rights and prevent waste.

WHEREFORE, applicant prays that this application be set for hearing 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 herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,

By 

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Kellahin, Kellahin &
Aubrey
P.O. Box 2265
Santa Fe, NM 87504

(505) 982-4285

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. 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.

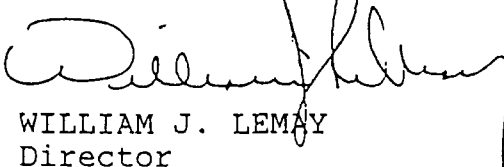
(13) Should all parties to this forced-pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(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
APPLICATION OF FORAN OIL COMPANY
TO RE-OPEN CASE 9391 TO ADD
HOME-STAKE ROYALTY CORPORATION
AND HOME-STAKE OIL AND GAS
COMPANY TO DIVISION ORDER
R-8674

CASE 9391 (Reopened)

CERTIFICATE OF MAILING
AND
COMPLIANCE WITH ORDER R-8054

In Accordance with Division Rule 1207 (Order R-8054) I hereby certify that on October 4, 1988 I caused to be mailed by certified mail return receipt requested notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for October 26, 1988, to the following:

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

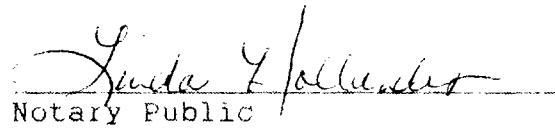
The Home-Stake Royalty Corporation
2800 First National Tower
Tulsa, OK 74103

and that attached hereto are true and correct copies of the return receipt cards for that mailing.



W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 27th day of October,
1988.



Notary Public

My Commission Expires:

9-22-90

Case 9391 TOM / FOR10-04

<p>SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input checked="" type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to:</p> <p>The Home Stake Royalty Corpor.</p> <p>2800 First National Tower</p> <p>Tulsa, OK 74103</p>	<p>4. Article Number</p> <p>P 955 861 819</p> <p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature — Address</p> <p>X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature — Agent</p> <p>X</p>	
<p>7. Date of Delivery</p>	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

Case 9391

TOM / FOR10-04

<p>SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input checked="" type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to:</p> <p>The Home-Stake Oil & Gas Co.</p> <p>2800 First National Tower</p> <p>Tulsa, OK 74103</p>	<p>4. Article Number</p> <p>P 955 861 818</p> <p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature — Address</p> <p>X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature — Agent</p> <p>X <i>[Signature]</i></p>	
<p>7. Date of Delivery</p> <p>OCT 11 1988</p>	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT