

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

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

JASON KELLAHIN (RETIRED 1991)

January 13, 1997

HAND DELIVERED

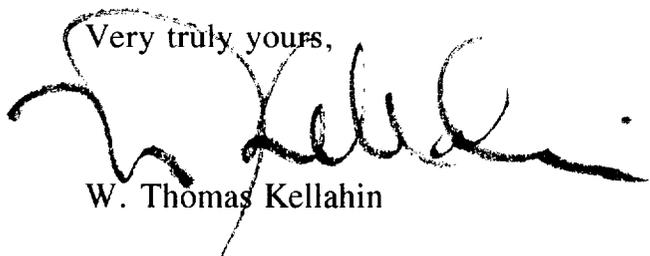
Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: State "AY" Com Well No. 2
Application of Amerind Oil Company, Ltd.
for Compulsory Pooling
Lea County, New Mexico**

Dear Mr. LeMay:

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

Very truly yours,


W. Thomas Kellahin

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

JAN

Oil Conservation Division

11717

CASE 1717: Application of Amerind Oil Company, Ltd. 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 7 and 10 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 its State "AY" Com Well No. 2 to be drilled and completed at a standard well location in Lot 10 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 applicant 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.

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

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

CASE NO. 11717

A P P L I C A T I O N

Comes now AMERIND OIL COMPANY, Ltd. by its 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 7 and 10 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 its State "AY" Com Well No. 2 to be drilled and completed at a standard well location in Lot 10 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 applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Amerind Oil Company, Ltd.
("Amerind") states:

1. Amerind controls 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 7 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

2. Yates Petroleum Corporation, Abo Petroleum Corporation, Myco Industries, Inc. and Yates Drilling Company ("Yates Group ") control 100% working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying Lot 10 of Irregular Section 2, T16S, R35E, NMPM, Lea County, New Mexico.

3. The subject tract is located within one-mile of the current boundaries of the West Lovington-Strawn Pool.

4. The subject well is to be drilled at a standard oil well location in Lot 10 of Section 2 to test any and all formations in the pooled interval from the surface to the base of the Strawn formation and to be dedicated to a standard 80-acre oil proration and spacing unit consisting of Lots 7 and 10 of Irregular Section 2.

5. Amerind has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Amerind has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

7. 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.

8. 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 February 6, 1997.

WHEREFORE, Amerind, as applicant, requests that this application be set for hearing on February 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 of 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 a horizontal line.

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

EXHIBIT "A"

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Robert Bullock

Yates Drilling Company
105 South Fourth Street
Artesia New Mexico 88210

Myco Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210

Abo Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210