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September 19, 1984

"HAND-DELIVERED"

RECEIVED

SEP 19 1984

Mr. Michael Stogner  
Examiner  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION

Re: Case No. 8341  
Application of Lynx Petroleum Consultants Inc.,  
for Compulsory Pooling, Lea County, New Mexico

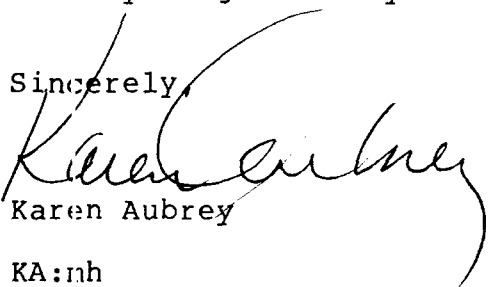
Dear Examiner Stogner:

As we discussed this morning, I am enclosing for your consideration a proposed Order in the above matter. I would like to take this opportunity to clarify the drilling supervision charge of \$300.00 per day which we requested in our testimony. This rate would, of course, only apply for the actual time spent drilling and completing the well. It should take between ten (10) and twenty (20) days to drill and complete the well to the base of the Paddock Formation. After that time, of course, the monthly supervision charge would be reduced to \$350.00 per month.

As we discussed this morning, Lynx Petroleum Consultants, Inc., have a Lease expiring on November 1st and would appreciate your earliest attention to this matter.

Thank you again for your assistance.

Sincerely,



Karen Aubrey

KA:nh

Enclosure

cc: Mr. Larry Scott  
Lynx Petroleum Consultants Inc.  
407 Jemez Road  
Hobbs, New Mexico 88240

ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 8341  
Order No. R-

APPLICATION OF LYNX PETROLEUM  
CONSULTANTS, INC., FOR COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:00 a.m. on September 19, 1984, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of September, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Lynx Petroleum Consultants, Inc., seeks an order pooling all mineral interests from the base of the Paddock Formation underlying the NE/4SE/4 of Section 25, Township 26 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the NE/4SE/4 of Section 25 is a standard spacing unit for the Lovington Paddock Pool and that the pooling should apply to this pool and all formations from the surface to 6,350 feet.

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

(5) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

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Order No. R-

(6) That to avoid the drilling of unnecessary wells, to prevent waste, to protect correlative rights, 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 gas in any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) That the applicant, Lynx Petroleum Consultants, Inc., should be designated the operator of the subject well and unit.

(8) That 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) That 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.

(10) The substantial evidence supports a 200% risk factor, including but not limited to, the fact that a dry hole has been drilled in the San Andres formation 65 feet east of the proposed location, there are no controls in the Paddock Pool to the North, and the proposed location is offset by two water-flood injection wells and the Paddock may be watered-out at the proposed location.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(12) That 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.

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(13) That \$300.00 per day while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision; that 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.

(14) That 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.

(15) That 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 the expiration of 120 days from the effective date of this order, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be from the surface to 6,350 feet underlying the NE/4SE/4 of Section 25, Township 36 South, Range 16 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre spacing and proration unit dedicated to a well, to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the expiration of 120 days after the effective date of this order, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the expiration of 120 days after the effective date of this order, Order (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

Case 8341  
Order No. R-

before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Lynx Petroleum Consultants, Inc. is hereby designated the operator of the subject well and unit.

(3) That 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) That 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 that 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) That 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; that 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, that 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) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated 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) That the operator is hereby authorized to withhold the following costs and charges from production.

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

(9) That \$300.00 per day while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision; that 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) That any unsevered 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) That 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) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that 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.

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Order No. R-

(13) That 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

JOE D. RAMEY,  
Director

RECEIVED

SEP 19 1984

ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION

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

CASE NO. 8341  
Order No. R-

APPLICATION OF LYNX PETROLEUM  
CONSULTANTS, INC., FOR COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

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NOW, on this \_\_\_\_ day of September, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Lynx Petroleum Consultants, Inc., seeks an order pooling all mineral interests from the base of the Paddock Formation underlying the NE/4SE/4 of Section 25, Township 26 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the NE/4SE/4 of Section 25 is a standard spacing unit for the Lovington Paddock Pool and that the pooling should apply to this pool and all formations from the surface to 6,350 feet.

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

(5) That there are interest owners in the proposed pooling unit who have not agreed to pool their interests.



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(6) That to avoid the drilling of unnecessary wells, to prevent waste, to protect correlative rights, 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 gas in any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) That the applicant, Lynx Petroleum Consultants, Inc., should be designated the operator of the subject well and unit.

(8) That 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) That 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.

(10) The substantial evidence supports a 200% risk factor, including but not limited to, the fact that a dry hole has been drilled in the San Andres formation 65 feet east of the proposed location, there are no controls in the Paddock Pool to the North, and the proposed location is offset by two water-flood injection wells and the Paddock may be watered-out at the proposed location.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

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(14) That 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.

(15) That 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 the expiration of 120 days from the effective date of this order, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be from the surface to 6,350 feet underlying the NE/4SE/4 of Section 25, Township 36 South, Range 16 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre spacing and proration unit dedicated to a well, to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the expiration of 120 days after the effective date of this order, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the expiration of 120 days after the effective date of this order, Order (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

Case 8341  
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(2) That Lynx Petroleum Consultants, Inc. is hereby designated the operator of the subject well and unit.

(3) That 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) That 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 that 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.

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(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated 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.

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Case 8341  
Order N. R-

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(9) That \$300.00 per day while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision; that 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) That any unsevered 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) That 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.

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Case No. 8341  
Order No. R-

(13) That 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

JOE D. RAMEY,  
Director

# Lynx Petroleum Consultants, Inc.

P. O. Box 1666  
3325 Enterprise Drive  
Hobbs, New Mexico 88240  
505 392-6950

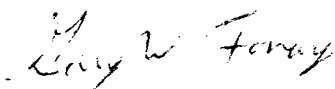
August 16, 1984

New Mexico Oil Conservation Division  
Department of Energy and Minerals  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Joe Ramey:

Attached are three copies of an application for compulsory pooling the NE/4, SW/4, Section 25, T-16S, R-36E, Lea County, New Mexico. Please schedule this case on the first available examiner docket.

Thank you,

  
Gary W. Fonay  
Vice President

GWF/par  
Enclosures

BEFORE THE OIL CONSERVATION DIVISION  
ENERGY AND MINERALS DEPARTMENT  
OF THE STATE OF NEW MEXICO

In the matter of the application  
of Lynx Petroleum Consultants, Inc.  
for compulsory pooling all mineral  
interests from surface to the base  
of the Paddock formation underlying  
the NE/4, SW/4, section 25, T-16S,  
R-36E, Lea County, New Mexico.

20-8341

APPLICATION

Applicant, Lynx Petroleum Consultants, Incorporated,  
respectfully requests authority for the compulsory pooling of  
all mineral interests from surface to the base of the Paddock  
formation underlying the NE/4, SW/4, section 25, T-16S, R-36E,  
Lea County, New Mexico, and in support thereof will show.

1. Applicant and partners currently have leases on 90%  
or more of the mineral interests.
2. Applicant intends to drill a well at a location  
1650' FSL and 2165' FWL of said section 25 to the  
Paddock formation and dedicate the subject 40 acres  
to the well.
3. That the granting of this application will prevent  
waste and will not impair the correlative rights of  
any party.

Applicant respectfully requests that this application be set  
for hearing before the Divisions appointed examiner, and upon  
hearing, an order be entered authorizing compulsory pooling as  
described above.

Respectfully submitted:  
Lynx Petroleum Consultants, Incorporated

By: Gary W. Fonay  
Gary W. Fonay  
Vice President

BEFORE THE OIL CONSERVATION DIVISION  
ENERGY AND MINERALS DEPARTMENT  
OF THE STATE OF NEW MEXICO

In the matter of the application  
of Lynx Petroleum Consultants, Inc.  
for compulsory pooling all mineral  
interests from surface to the base  
of the Paddock formation underlying  
the NE/4, SW/4, section 25, T-16S,  
R-36E, Lea County, New Mexico.

*Case 83-1*

APPLICATION  
-----

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Lynx Petroleum Consultants, Incorporated

By: *Gary W. Fonay*  
Gary W. Fonay  
Vice President



BEFORE THE OIL CONSERVATION DIVISION  
ENERGY AND MINERALS DEPARTMENT  
OF THE STATE OF NEW MEXICO

In the matter of the application  
of Lynx Petroleum Consultants, Inc.  
for compulsory pooling all mineral  
interests from surface to the base  
of the Paddock formation underlying  
the NE/4, SW/4, section 25, T-16S,  
R-36E, Lea County, New Mexico.

7-2-51  
C. L. S.

APPLICATION

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Lynx Petroleum Consultants, Incorporated

By: Gary W. Fonay  
Gary W. Fonay  
Vice President

Jason Kellahin  
W. Thomas Kellahir  
Karen Aubrey

KELLAHIN and KELLAHIN  
*Attorneys at Law*  
El Patio - 117 North Guadalupe  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Telephone 982-4285  
Area Code 505

September 21, 1984

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SEP 21 1984  
OIL CONSERVATION DIVISION

Michael Stogner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

"Hand Delivered"

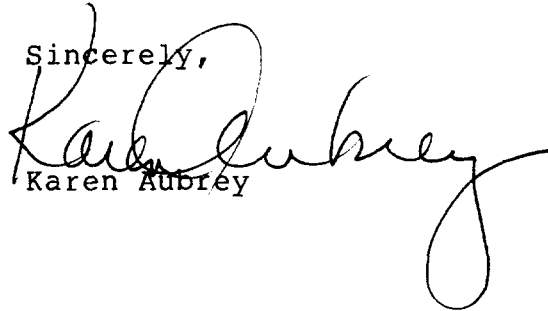
Re: Case 8341

Dear Examiner Stogner:

We have discovered a typographical error in the proposed order which we delivered to you on September 19th.

The description on paragraph (2), page 1 and paragraph (1) page 3 have been corrected to reflect the right description.

Sincerely,

  
Karen Aubrey

KA:ca  
Enc.

cc: Larry Scott  
Lynx Petroleum  
P. O. Box 1666  
Hobbs, New Mexico 88240