

STATE OF NEW MEXICO
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. 8457
Order No. R-7796

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 a.m. on January 30, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of January, 1985, 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 in the Strawn formation underlying the W/2 NE/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) The above-described 80-acre spacing and proration unit is a quarter of a mile from the Casey Strawn Pool and diagonally offsets the Northeast Lovington Pennsylvanian Pool to the northwest. Both pools have the same spacing and well location provisions allowing for 80-acre standard spacing units consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section and for each well to be located within 150 feet of the center of a governmental quarter-quarter section.

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

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

(6) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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 oil 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.

(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 involved in the drilling of the well.

(10) 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.

(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) \$ \$4000.00 per month while drilling and \$400.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(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) 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 May 1, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Strawn formation underlying the W/2 NE/4 of Section 28, 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 to be dedicated to a well to be drilled at a standard oil well location.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of May, 1985, 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 first day of May, 1985, 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 before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) Amerind 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 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) 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) 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) 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) \$4,000.00 per month while drilling and \$400.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

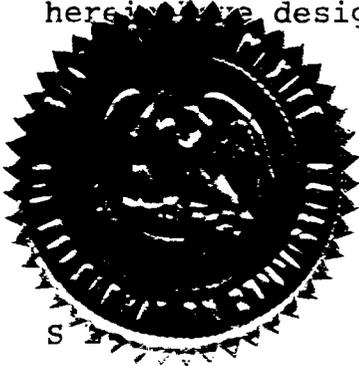
(10) Any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) 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; 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.

(13) 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 hereinafter designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. Stamets
R. L. STAMETS,
Director

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
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Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

July 8, 1985

RECEIVED

JUL 8 1985

OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. Richard L. Stamets
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

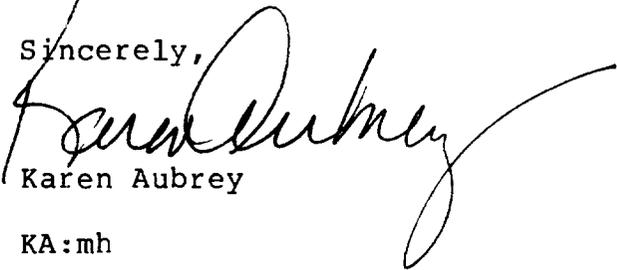
Re: In the Matter of the Application of LeFlore Oil
and Gas, Inc., to Reopen Case No. 8457

Dear Mr. Stamets:

I enclose an Application which we file in triplicate
on behalf of LeFlore Oil and Gas, Inc. We request
that this matter be set for hearing before the Oil
Conservation Commission on September 18, 1985.

If you have any questions please don't hesitate to
call.

Sincerely,


Karen Aubrey

KA:mh

Enclosures

cc: Mr. Charles E. Lundeen
Samson Resources Company
Samson Plaza
Two West Second Street
Tulsa, Oklahoma 74103

Amerind Oil Company
507 Petroleum Building
Midland, Texas 79701
ATTN: Bill Seltzer

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION COMMISSION

RECEIVED

IN THE MATTER OF THE APPLICATION
OF LeFLORE OIL AND GAS, INC., TO
REOPEN CASE NO. 8457.

JUL 1985

CASE: _____ OIL CONSERVATION DIVISION

A P P L I C A T I O N

COMES NOW LeFLORE OIL AND GAS, INC., by and through its attorneys, Kellahin & Kellahin, and requests that the Oil Conservation Commission reopen case 8457 on the grounds and for the reasons stated below, for an Order to Show Cause requiring American Oil Company to appear and show cause why Order R-7796 should not be rescinded, and for such other and further relief as seems appropriate to the Commission after notice and hearing.

1. On January 30, 1985 the Oil Conservation Division issued its Order R-7796 pooling all mineral interests in the Strawn formation underlying the W/2 of the NE/4 of Section 28, T16S, R37E, Lea County, New Mexico.

2. The mineral interests owned by Shell Western Exploration and Production Company in the minerals underlying the W/2 of the NE/4 of Section 28, T16S, R37E, in the Strawn formation were pooled by virtue of that Order.

3. On March 26, 1985 Amerind sent a copy of the Order R-7796 and an AFE dated January 2, 1985 to Shell Western Exploration and Production.

4. On or about April 25, 1985, LeFlore Oil and Gas obtained a farmout of Shell's interest.

5. On April 26, 1985 Shell Western Exploration and Production notified Amerind that it had farmed out its interest in the subject acreage to LeFlore Oil and Gas Inc., and, further informed Amerind that LeFlore Oil and Gas Inc., proposed to participate in the well.

6. On or about April 11, 1985 Amerind sought permission from the Oil Conservation Division to extend the time for commencement of the well (No. 2 Carter) for 30 days from May 1, 1985.

7. On April 15, 1985 R. L. Stamets, Director, Oil Conservation Division granted permission to Amerind for an extension of time until July 1, 1985 to begin drilling the Carter No. 2.

8. Order R-7796 was extended without notice and hearing to LeFlore Oil and Gas, Inc., or its predecessor in interest, Shell Western Exploration and Production and, therefore, the extension of Order R-7796 is void.

9. Amerind failed to commence drilling its Carter No. 2 Well prior to the expiration of the time

permitted by Order R-7796.

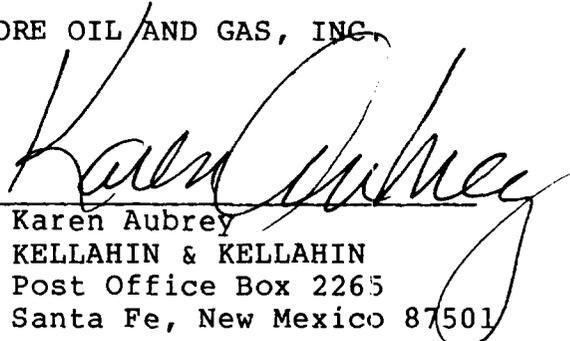
10. LeFlore Oil and Gas, Inc., has not been afforded due process in connection with the force pooling of its mineral interest underlying the W/2 of the NE/4 of Section 28, Township 16 South, Range 37 East.

WHEREFORE, LeFlore Oil and Gas, Inc. requests that this application be set for hearing and, after notice and hearing, the application and the relief sought therein be granted.

Respectfully submitted,

LeFLORE OIL AND GAS, INC.

By:


Karen Aubrey
KELLAHIN & KELLAHIN
Post Office Box 2265
Santa Fe, New Mexico 87501

Attorneys for Applicant

cc: Amerind Oil Company
507 Petroleum Building
Midland, Texas 79701
ATTN: Bill Seltzer

"Certified Mail"

Samson Resources Company
Samson Plaza
Two West Second Street
Tulsa, Oklahoma 74103
ATTN: Charles E. Lundeen

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