



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

May 1, 1985

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Ernest L. Padilla
Attorney at Law
P. O. Box 2523
Santa Fe, New Mexico 87504

Re: CASE NO. 8534
ORDER NO. R-7903

Applicant:

A. M. Kalaf and George Kalaf

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS
Director

RLS/fc

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other Derwood S. Chase, Jr.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

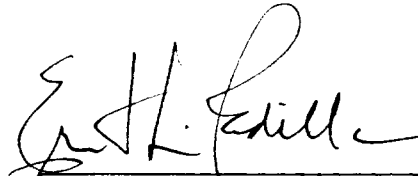
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case 8534

APPLICATION OF A. M. KALAF AND
GEORGE KALAF FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.

NOTICE OF VOLUNTARY DISMISSAL

The applicant herein voluntarily dismisses the
above referenced case.



ERNEST L. PADILLA
Attorney for Applicant
P. O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577

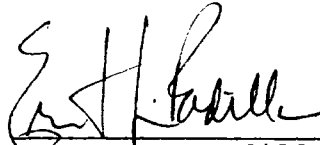
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
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IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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CONSIDERING:

APPLICATION OF A. M. KALAF AND
GEORGE KALAF FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.

CERTIFICATE OF MAILING

I hereby certify that on the 10th day of April, 1985,
a copy of the Notice of Voluntary Dismissal of the
above Application for Compulsory Pooling was mailed to
Chase Investment Counsel Corp., Citizens Commonwealth
Center, Suite 403, 300 Preston Avenue, Charlottesville,
Virginia 22901-5091.



Ernest L. Padilla
Attorney for Applicant
P. O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577

Case
8534
MS.

CHASE INVESTMENT COUNSEL CORP.
CITIZENS COMMONWEALTH CENTER SUITE 403
300 PRESTON AVENUE
CHARLOTTESVILLE, VIRGINIA 22901-5091
AREA CODE (804) 293-9104

March 18, 1985

Mr. Ernest L. Padilla
Attorney and Counselor at Law
200 W. Marcy, Suite 212
Santa Fe, New Mexico 87501

Dear Mr. Padilla:

I have your letter of March 13th indicating that there are no legal requirements for you to send non-consenting forced pooled participants any information as to your actual costs, production or results. Moreover, as you know, with your letter of February 17th, giving me the opportunity to join in the drilling of your proposed well, no specific information was given so that we could make an intelligent decision. In fact, the old May 10, 1984 AFE was enclosed as the basis for your estimated cost. I understood you had significant problems with the Denny #2 so that I would assume that the estimates for a new offset well wouldn't be the same unless you expected to repeat all the same difficulties. In any case, we are not interested in participating in a shallow well of that type at \$69 per foot.

I was disappointed to note that your letter of March 13th still doesn't make us any offer for our lease acreage. In all other situations that we have been involved in where compulsory pooling was sought the applicants had made some good faith offer to purchase the various interests though, according to your letter, in New Mexico there is no regulation requiring applicants to make such offers.


As you know, the lease is for sale and we would like to conclude some reasonable sale to your clients. Unfortunately, while you represented that \$75 per acre is excessive for this type of property and potential, notwithstanding the fact that you apparently thought the results from the Denny #2 were so encouraging as to warrant the drilling of another well, I am at a loss to know what you think is reasonable. After consulting with others in the area we would like your clients to consider the purchase of our 55 acre interest in SE/4 Sec. 4, T-25N, R-1E of \$50 per acre cash or \$35 per acre and a reservation of a production payment, payable out of

3% of eight/eighths (a 3% overriding royalty equivalent) with a mutually acceptable 45 day reassignment provision.

Sincerely yours,


Derwood S. Chase, Jr.
President

DSC:djh

 cc: Mr. Richard Stamentz
Commission Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Mr. A. M. Kalaf and
Mr. George Kalaf
c/c Venture Drilling Co.
P. O. Box 50325
Tucson, Arizona 85703

CHASE INVESTMENT COUNSEL CORP.
CITIZENS COMMONWEALTH CENTER SUITE 403
300 PRESTON AVENUE
CHARLOTTESVILLE, VIRGINIA 22901-5091

AREA CODE (804) 293-9104

March 6, 1985

Mr. Ernest L. Padilla
Attorney and Counselor at Law
200 W. Marcy
First Northern Plaza
Santa Fe, New Mexico 87501

M.S.
Case
8534

RECEIVED
CHASE INVESTMENT COUNSEL CORP.
SANTA FE

RE: SE/4 Sec. 4, T-25N, R-1E,
Rio Arriba County, New Mexico

Dear Mr. Padilla:

We are in receipt of your letter dated February 17, 1985, on behalf of Mssrs. A. M. Kalaf and George Kalaf. You mentioned that you have drilled the Denny #2 well on the above referenced lands. However, despite the fact that we are forced pooled participants in that well, no information has been sent to us documenting its costs, or the results. We would like to receive copies of all invoices charged to that well. If some of the charges involved were paid to related parties please indicate which invoices involve that possible conflict of interest.

We have never received copies of the logs, any engineering analysis report and initial and subsequent production records, which I believe we are entitled to as non-consenting participants. In addition, with a copy of this letter we are requesting that the Commission require you to provide us with the same information for your second proposed well. We believe that the AFE prepared on May 10, 1984, for the Denny #2 well and now being used by you as the basis for estimated costs for your new well, which amount to \$69.00 per foot to drill and complete this 3,150' well, are inflated, or at least other independents in the area have advised me that their cost for similar wells have run significantly less. As you know, your clients have never offered to buy our acreage, which is for sale. Instead, on February 25, 1984, we received your certified letter dated February 22, 1984, which, as you indicated, constituted our only notice of that hearing which was scheduled for February 29, 1984, just four days after we received your letter which enclosed the Kalaf's application for compulsory pooling.

In the absence of any purchase offer from the Kalafs our attorney asked you to discuss sale terms for our 55 acre interest

in SE/4 Sec. 4, of \$75 per acre and a reservation of a production payment payable out of 6 1/4%; or no bonus, and the reservation of a production payment equivalent to a 12 1/2% overriding royalty with a mutually acceptable 45 day reassignment provision. Although you indicated that that sale proposal was excessive for the area, no purchase offer has been made to us by you or the Kalafs. We would very much appreciate a reasonable purchase offer from your clients as we do not want to participate with them on the drilling of a second well at what we consider to be an excessive cost. If you do go ahead with your forced pooling application we are hereby advising the commission that no cash or royalty purchase offer has been made to us and that we believe that you should at least be required to supply the information requested above on the Denny #2 well and similar information on your proposed offset well promptly as it becomes available if once again we are going to be forced into being non-consenting participants.

We appreciate your giving us adequate notice this time of the new application which you intend to file on March 5th and expect to be set for hearing on March 27, 1985.

Sincerely yours,


Derwood S. Chase, Jr.
President

DSC:djh

cc: Mr. Richard Stamentz
Commission Director
✓ New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Mr. A. M. Kalaf and
Mr. George Kalaf
c/o Venture Drilling Co.
P. O. Box 50325
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