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JUN 19 1986  
OIL CONSERVATION DIVISION

June 2, 1986

HAND DELIVERED

Mr. Richard L. Stamets  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico

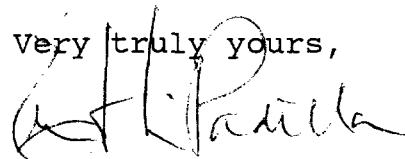
Re: Case No. 8859 - Order R-8047-A

Dear Mr. Stamets:

Enclosed for filing and your consideration are (1) the Application for Hearing de novo and Motion for Stay and (2) proposed Order staying the effect of Order R-8047-A, on behalf of Michael L. Klein, John H. Hendrix, John H. Hendrix Corporation, and Ronnie H. Westbrook.

Should you need additional information, please let me know.

Very truly yours,

  
Ernest L. Padilla

ELP:jmo  
Enclosures

Copies: W. Thomas Kellahin, Esq. (w/ enclosures)  
Mr. Michael L. Klein (w/ enclosures)

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JUN 8 1986

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

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF ROBERT E. CHANDLER CORPORATION  
FOR AN AMENDMENT TO DIVISION ORDER  
R-8047, LEA COUNTY, NEW MEXICO.

CASE NO. 8859

APPLICATION FOR HEARING DE NOVO  
AND MOTION FOR STAY

Protestants Michael L. Klein, John H. Hendrix, John H. Hendrix Corporation, and Ronnie H. Westbrook, by their undersigned attorney, hereby apply for a hearing de novo and move for a stay of Order R-8047-A (Order) issued by the Division on May 9, 1986.

1. At no material time during the course of proceedings in this matter did Protestants advance an allegation or argument that their interest in the proposed spacing unit was an overriding royalty interest as evidenced by Finding 7 of the Order.

2. The interest of Protestants in the proposed spacing unit is not a working interest susceptible to a risk factor penalty as mandated by the Order.

3. The interest of the Protestants in the proposed proration unit is a carried interest whereby Protestants are

not required to pay their proportionate share of well costs in advance of drilling and completing the proposed well; in order to prevent application of the risk factor penalty, the Order requires Protestants to pay their proportionate share in advance.

4. The action by the Division in issuing the Order constitutes an unlawful and unconstitutional taking of property without just compensation because such action impermissibly changes the nature of Protestants' interest from a carried interest to a full working interest.

5. The effect of the Order irreparably damages Protestants' interest because such interest covers not only the proposed proration unit, but other lands as well.

6. Upon information and belief, the Order involves issues of first impression with respect to compulsory pooling orders issued by the Oil Conservation Division.

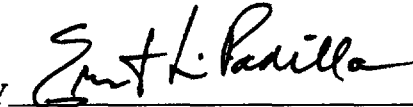
7. Because of the potential serious and adverse impact of the Order to Protestants and, indeed, to the Applicants should the Order be reversed upon hearing de novo or upon judicial review of the Order, the Order should be

stayed by the Division pending further proceeding in this matter.

Respectfully submitted,

PADILLA & SNYDER

By



Ernest L. Padilla  
Post Office Box 2523  
Santa Fe, New Mexico 87504-2523  
(505) 988-7577

This is to certify that the undersigned caused a true and correct copy of the foregoing Application for Hearing De Novo and Motion for Stay to be mailed first class and postage prepaid to:

W. Thomas Kellahin, Esq.  
Kellahin & Kellahin  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

this 2nd day of June, 1986.

