



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
LEWISTOWN DISTRICT OFFICE  
AIRPORT ROAD  
P.O. BOX 1160  
LEWISTOWN, MONTANA 59457-1160



IN REPLY TO:

3000

Case File 5393

AUG 29 1990

CERTIFIED MAIL NO. P 955 451 567  
RETURN RECEIPT REQUESTED

Chevron USA, Inc.  
P.O. Box 5050  
San Ramon, CA 94583

ATTN: Division Production Manager

Re: Federal Lease No. MT-033895, SW $\frac{1}{4}$ SE $\frac{1}{4}$ , Sec. 8,  
T. 37 N., R. 5 E., Liberty County, Montana.

## DECISION

Gentlemen:

Our letter to you dated September 26, 1985, regarding the State 15-8 well, located in the SWSE Section 8, T. 37 N., R. 5 E., Liberty County, Montana, which showed the potential for drainage of the Dakota formation underlying the subject lease outlined your options for protecting the lease.

As per your response to the said letter and our subsequent reply dated February 4, 1986, we have concluded that the said well has been/is draining the Federal Lease No. MT-033895. The Dakota formation falls under the statewide rules (one well per governmental section), and not 160 acre proration unit as you stated in your response. Therefore, compensatory royalty will be assessed unless a communitization agreement, retroactive to the first day of production, is formed within 45 days of the receipt of this letter. Compensatory royalty assessment will begin November 1, 1975, and end the date that protection is provided or the date that the State 15-8 ceases to produce. The portion of the draining well's production attributed to Lease No. MT-033895 has been determined to be 6.25% if a communitization agreement is formed, and 9.51% without a communitization agreement. These percentages are based in the following:

1. Cumulative production from State 15-8
2. Portion of the Federal lease drained, and the total area drained by the subject well and its subsequent radius of drainage,

3. Available reservoir data for the Flat Coulee field as furnished by Chevron, and
4. Federal Acreage participation in a 640-acre communitization agreement for that portion of Federal Lease held by Chevron.

When the assessment is made, you will receive a notice of payment of compensatory royalty from the Minerals Management Service.

We believe that forming a communitization agreement (CA), retroactive to the first day of production is the best solution to this drainage case. On the basis of this belief, we have enclosed a blank communitization application form for your convenience. Failure to submit completed CA form both to this office and the operator of the offending well, within the given period, will result in compensatory royalty assessment.

You have the right to request a State Director review for this decision pursuant to 43 CFR 3165.3(b), a copy attached, and if adversely affected by the State Director's decision, to appeal that decision to the Interior Board of Land Appeals pursuant to 43 CFR 3165.4(a), 4.411, and 4.413, copy of each attached. Should you fail to request timely a State Director Review, or after receiving the State Director's decision, fail to file an appeal timely, no further administrative review of this decision will be possible. As appropriate, this matter will be referred to the Minerals Management Service at a future date for the computation and issuance of a bill for the amount due.

If you have any questions, please contact Nick Douglas at 406/538-7461.

Sincerely,



Wayne Zinne

5 Attachments

- 1-Blank Communitization Application
- 2-43 CFR 3165.3(b)
- 3-43 CFR 3165.4(a)
- 4-4.411
- 5-4.413

cc: Casefile