



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Rio Puerco Resource Area
435 Montano N.E.
Albuquerque, New Mexico 87107



3180 (017)

Ceja Pelon Unit (UA)

AUG 31 1994

The Gary-Williams Company
Attn: Nancy Morris
1775 Sherman St., Suite 1925
Denver, Colorado 80203

D-27-21N-3W

Ceja Pelon 27H #4

RECEIVED
SEP - 2 1994
OIL CON. DIV.
DIST. 3

Dear Ms. Morris:

The Ceja Pelon Unit Agreement, Sandoval County, New Mexico, was approved on May 28, 1993, and was assigned Number NMNM 90099X. Section 9 of the agreement required a well to be drilled to test the Semilla (Mancos) Formation or to a depth of 5,300 feet.

The Ceja Pelon Unit 27-4H well was spudded on May 31, 1993. The well was drilled to a depth of 4851 ft.(TVD) and tested the Mancos Formation. The well was completed on August 4, 1993. The well did not qualify as a unit well as specified in Section 9 of the unit agreement. The well did produce in paying quantities on a lease basis.

Section 9 of the unit agreement specifies that until the discovery of unitized substances capable of being produced in paying quantities, the unit operator shall continue drilling one well at a time, allowing not more than six months between the completion of one well and the commencement of drilling operations on the next well until a well capable of production in paying quantities is completed. Under this requirement, drilling operations on the next unit well were to have commenced by February 4, 1994.

Drilling operations were not in progress in the unit area on February 4, 1994, therefore, the unit agreement is considered to have terminated effective as of that date. All federal leases committed to the unit agreement are eligible to receive a two year extension pursuant to 43 CFR 3107.4, Extension By Elimination. By a copy of this letter we are advising the Leasing Unit in the New Mexico State Office that the leases should receive an extension.

If you have any questions, please contact Robert Kent at (505) 761-8762.

Sincerely,

(Original Signed) HECTOR A. VILLALOBOS

Hector A. Villalobos
Area Manager

cc:

NM(94364)

MMS-RMP Reference Data Branch

✓ NMOCB

Commissioner of Public Lands
NM Taxation & Revenue