

EXHIBIT "A"  
CASE NO. 9559  
ORDER NO. R-8844

WELL LOCATION

| <u>WELL NAME AND NUMBER</u> | <u>FOOTAGE</u>      | <u>U-S-T-R</u> | <u>DEDICATED ACREAGE</u>                                      |
|-----------------------------|---------------------|----------------|---------------------------------------------------------------|
| ✓ Carracas Unit 17-B No. 15 | 650 FSL - 2070 FEL  | O-17-32N-4W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 19-B No. 4  | 1170 FNL - 830 FWL  | D-19-32N-4W    | Lots 1, 2, 3, 4 and the<br>E/2 W/2 (300.52 acres)             |
| ✓ Carracas Unit 21-B No. 5  | 1655 FNL - 1185 FWL | E-21-32N-4W    | N/2 (320 acres)                                               |
| ✓ Carracas Unit 25-B No. 15 | 640 FSL - 1500 FEL  | O-25-32N-4W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 26-B No. 16 | 790 FS & EL         | P-26-32N-4W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 27-B No. 5  | 1740 FNL - 1800 FWL | E-27-32N-4W    | N/2 (320 acres)                                               |
| ✓ Carracas Unit 30-B No. 16 | 1100 FSL - 790 FEL  | P-30-32N-4W    | Lots 3 and 4, the E/2<br>SW/4, and the SE/4<br>(310.55 acres) |
| ✓ Carracas Unit 31-B No. 5  | 1770 FNL - 830 FWL  | E-31-32N-4W    | Lots 1, 2, 3, 4 and the<br>E/2 W/2 (300.96 acres)             |
| ✓ Carracas Unit 32-B No. 5  | 1630 FNL - 790 FWL  | E-32-32N-4W    | N/2 (320 acres)                                               |
| ✓ Carracas Unit 33-B No. 4  | 1160 FNL - 1060 FWL | D-33-32N-4W    | W/2 (320 acres)                                               |
| ✓ Carracas Unit 33-B No. 16 | 790 FSL - 1950 FEL  | P-33-32N-4W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 35-B No. 9  | 1850 FSL - 790 FEL  | I-35-32N-4W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 36-B No. 15 | 1190 FSL - 1850 FEL | O-36-32N-4W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 14-A No. 4  | 790 FN & WL         | D-14-32N-5W    | N/2 (320 acres)                                               |
| ✓ Carracas Unit 15-A No. 16 | 200 FSL - 500 FEL   | P-15-32N-5W    | S/2 (320 acres)                                               |
| ✓ Carracas Unit 21-A No. 15 | 790 FSL - 1850 FEL  | O-21-32N-5W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 22-A No. 16 | 790 FS & EL         | P-22-32N-5W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 25-A No. 16 | 640 FSL - 710 FEL   | P-25-32N-5W    | E/2 (320 acres)                                               |
| ✓ Carracas Unit 36-A No. 5  | 1450 FNL - 910 FWL  | E-36-32N-5W    | W/2 (320 acres)                                               |

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OIL CON. DIV.  
(DIST. 3)

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 9559  
ORDER NO. R-8844

APPLICATION OF NASSAU RESOURCES, INC.  
FOR NINETEEN UNORTHODOX COAL GAS  
WELL LOCATIONS, RIO ARriba COUNTY,  
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 21, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of January, 1989, 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) At the time of the hearing this case was consolidated with Division Case No. 9560 for the purpose of testimony.

(3) The applicant, Nassau Resources, Inc., seeks approval of 19 unorthodox coal gas well locations, as described in Exhibit "A" attached hereto and made a part hereof, to test the Basin-Fruitland Coal (Gas) Pool, Rio Arriba County, New Mexico.

(4) On October 17, 1988, the Division entered Order R-8768 which adopted Special Rules for the Basin-Fruitland Coal (Gas) Pool including RULE 7 which provides in part that the first well drilled in a 320-acre unit shall be located in either the NE/4 or SW/4 of a governmental section and that it be located no closer than 790 feet to the outer boundary of the spacing unit.

(5) Prior to the adoption of the rules for this pool, the applicant in this case, Nassau Resources, Inc., formed the Carracas Canyon Unit in Rio Arriba County, New Mexico, 97.7 percent of which acreage is federal leases.

(6) The preliminary drilling by the applicant in the unit area has provided sufficient information to reasonably conclude that a substantial portion of the unit can be developed for Basin-Fruitland Coal (Gas) production.

(7) The Carracas Canyon Unit in Rio Arriba County, New Mexico, lies almost entirely within the Carson National Forest with all surface use including location of these wells subject to the jurisdiction of the United States Forest Service and to the Carson National Forest Land and Resource Management Plan.

(8) Included among the surface use restrictions for well locations, roads and pipelines to access these wells within the Carracas Canyon Unit were topographical restrictions concerning soil conservation, steepness of slope, limitation on grade for roads, forest preservation, wildlife habitat management and archeological/historical artifact preservation.

(9) The applicant with due diligence has attempted in each section of the unit to locate two wells at locations which would conform to standard well locations under the current RULE 7 of Order No. R-8768. Said U.S. Forest Service Management Plan in the Carson National Forest requires that future use of the Carracas Canyon area surfaces involves maximizing the use of existing roads and minimizing construction of new roads.

(10) For each spacing unit for the proposed nineteen unorthodox coal gas well locations, the applicant has been unable to locate and obtain U.S. Forest Service approval for a standard well location within that proposed spacing unit.

(11) The District Forest Ranger for the Jicarilla Ranger District, whose area encompasses the subject unit area, testified on behalf of the applicant at the hearing that each of the proposed nineteen unorthodox gas well locations has either been approved or is acceptable. His testimony also indicated that in some instances while a surface location may be possible at a standard well location, there is no acceptable location for the necessary roads and pipeline rights of way to access the well locations.

(12) While the proposed nineteen wells are off-pattern locations under the Special Rules for the Basin-Fruitland Coal (Gas) Pool, they will provide for an orderly development of the unit on 320-acre spacing patterns.

(13) No interest owner in the unit nor any interested party adjoining the unit appeared and objected to this application.

(14) The District Ranger also provided supporting testimony which indicates that approval of this application would enable the applicant and the United States Forest Service to implement an orderly plan for exploration and development which is consistent with oil and gas conservation and will not adversely impact environmental concerns.

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(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the coal gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Nassau Resources, Inc. for exceptions to RULE 7 of Division Order No. R-8768 allowing 19 unorthodox coal gas well locations, as shown on Exhibit "A" attached hereto and made a part hereof, within their Carracas Canyon Unit Area, Rio Arriba County, New Mexico, for the Basin-Fruitland Coal (Gas) Pool is hereby approved.

(2) 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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Victor 2. Lyon*  
for WILLIAM J. LEMAY  
Director

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