



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



BRUCE KING
GOVERNOR

March 17, 1993

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SANTA FE, NEW MEXICO 87504
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ANITA LOCKWOOD
CABINET SECRETARY

NASSAU RESOURCES, INC.
c/o JEROME P. MCHUGH & ASSOCIATES
P. O. BOX 809
FARMINGTON, NEW MEXICO 87499-0809

Attn: Fran Perrin
Administrative Assistant

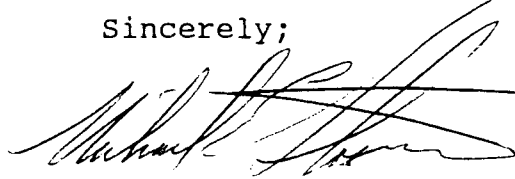
Re: Applications for unorthodox Pictured Cliffs gas well locations. Carracas Unit-PC "22-B" Well No. 14, "27-B" Well No. 8, "28-B" Well No. 7, and "35-B" Well No. 8 all in Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

Dear Ms. Perrin:

Reference is made to the four subject applications filed with the Division. In reviewing these applications one commonality is apparent that requires further explanation. Within the four Sections affected by these applications (Sections 22, 27, 28, and 35) there are two authorized Basin Fruitland Coal Gas wells, and in each instance the proposed Pictured Cliffs gas well, said interval being spaced on 160-acre units [see Division General Rule 104.B(2) and C(3)] is located within a quarter section that corresponds to the well location requirements for coal gas wells (see RULE 8 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768, as amended, which require coal gas wells on a standard 320-acre gas spacing and proration unit to be located in either the NE/4 or SW/4 of a section). However, when Nassau proposed to develop the coal gas reserves within their respective sections the Division was approached to grant unorthodox coal gas well locations in the opposite quarter sections (see Order No. R-8844 and Administrative Orders NSL-2690 and NSL-2691), because Nassau was unable "to locate and obtain U. S. Forest Service approval for a standard (coal gas) well location within the proposed (320-acre coal gas) spacing unit".

Now, however Nassau announces its plans to drill within those quarter sections that were originally off limits to coal gas wells. Please provide an explanation as to why these quarter sections are acceptable for drilling at this particular time, but were not available when the applicable coal gas wells were committed.

Sincerely;

A handwritten signature in dark ink, appearing to read 'Michael E. Stogner', with a long horizontal line extending to the right.

Michael E. Stogner
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
Philip R. Settles: U. S. Forest Service - Blanco, NM
Case File No. 9559
File: NSL-2690
File: NSL-2691