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*NOT LICENSED IN NEW MEXICO

May 20, 1993

Via Hand Delivery

Michael E. Stogner
New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico

Re: Cases 10714 and 10715

Dear Mr. Stogner:

Enclosed are the following:

1. A proposed order in Case 10714 (regarding formation of the unit). With respect to proposed Special Operating Rule 2 on the size and shape of well units, paragraphs (a)-(d) are taken from Order R-9330, as amended, on the San Isidro (Shallow) Unit. Paragraph (e), presented as two alternatives, is drafted to encompass Gary-Williams' request to allow formation of units composed of contiguous quarter-quarter sections. If paragraph (e) is incorporated into the order, I do not know if paragraphs (a)-(d) are strictly necessary. However, I wanted to present all alternatives to you.

Also, if paragraph (e) is used in the final order, it may be useful to include language such as the following:

Spacing and proration units formed pursuant to paragraph (e) shall be formed such that no gaps or windows exist between adjoining units, so that no quarter-quarter sections are isolated or omitted from a well unit.

2. A proposed order in Case 10715 (regarding the initial unit well). Gary-Williams recognizes that the shape of the

Rec. 5/20/93

requested well unit is unusual, and is willing to abide with whatever shape unit is prescribed by the Division, so long as it is authorized to cross the section line, which it believes is geologically necessary.

3. The original Affidavit submitted as Exhibit 10 at this morning's hearing. I forgot to bring the original with me.

Your prompt consideration of these matters is greatly appreciated. As you know, Gary-Williams must spud the well by May 31, 1993, and as a result, if the initial unit well is to be approved, we would like to know as soon as possible so that Gary-Williams can begin building location. The BLM has informed Gary-Williams that it cannot begin site work unless the Division approves the well.

Please call me if you need anything further in these cases.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

200593.001



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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June 17, 1994

Gary-Williams Company
370-17th St., Suite 5300
Denver, Colorado 80202

Gentlemen:

In accordance with the provisions of Division Order No. R-9902 entered on June 23, 1993, the Oil Conservation Division is reopening Case No. 10714 in order to give the operator and all interest owners in the Ceja Pelon Unit in the Rio Puerco-Mancos Oil Pool, Sandoval County, New Mexico, the opportunity to appear and show cause why the Special Operating Rules and Regulations for said Ceja Pelon Unit should remain in effect.

This case will be heard before an examiner on July 7, 1994, in Morgan Hall, State Land Office Building, Santa Fe, New Mexico, at 8:15 a.m. A copy of the advertisement for this hearing is enclosed.

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

enc.

P 176 013 315



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