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October 9, 1990

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VIA TELECOPY AND HAND DELIVERED

Mr. Jim Morrow
New Mexico Oil Conservation
Division
P. O. 2088
Santa Fe, New Mexico 87504

Re: Case No. 10,100, the Application of Samuel Gary Jr. & Associates, Inc. for Special Operating Provisions for Wells Drilled to the Rio Puerco-Mancos Oil Pool within the San Isidro (Shallow) Unit

Dear Mr. Morrow:

Enclosed is a proposed Order in the above case. Thank you for your prompt attention to this matter.

Two matters came up at hearing on this matter on October 3, 1990, which I wish to address. First, Mr. Stovall inquired what the acreage dedication would be for the initial unit well in the W $\frac{1}{2}$ of Section 11. At the hearing and in the proposed order Applicant requests permission to dedicate either a half section or a whole section to a well, at its option. Dedicating the entire section to a well could arise under three situations: (a) the horizontal wellbore is located in both half sections; (b) the operator determines that a horizontal wellbore located only in one-half section is draining more than 320 acres. In addition, under the Unit Agreement (Exhibit No. 2 in Case No. 10,099), a participating area is to consist of all land regarded as reasonably proved to be productive of unitized substances. Thus, even though a well is completed in a half section, under the Unit Agreement it may be necessary to include the entire section in a participating area; or (c) even if a horizontal wellbore located in a half section is not draining 320 acres, the entire section may be dedicated if another well on that section is being used

Mr. Jim Morrow
October 9, 1990
Page Two

for gas reinjection purposes. In the case of the well in Section 11, although the wellbore will be only in the W $\frac{1}{2}$ of Section 11, the operator intends to use the currently existing well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11 for gas reinjection/pressure maintenance. This was to be part of case no. 10,100, but due to time constraints we requested at hearing that that portion of the case be dismissed. However, an application is being filed for the October 31, 1990 hearing requesting that the existing well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11 be converted to gas reinjection. Therefore, the applicant requests that the entire Section 11 be dedicated to the initial unit well located in the W $\frac{1}{2}$ of Section 11.

Second, Special Rule 2 of the proposed order requests permission to complete one or more wells on a well unit. This would allow not only for infill drilling, as necessary, but would also allow the currently existing producing wells in the Rio Puerco-Mancos pool to continue producing unless and until they are converted to injection wells. At the hearing on October 3, the applicant referred to subsequent wells it may drill in Sections 6, 12, and 13. Both Sections 6 and 12 have existing wells located on them.

Please call me if you have any questions about this matter.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le

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:

Cases No: 10,100
Order No. R-_____

APPLICATION OF SAMUEL GARY JR. &
ASSOCIATES, INC. FOR SPECIAL
OPERATING RULES FOR DRILLING
HORIZONTAL/HIGH ANGLE WELLBORES
IN THE SAN ISIDRO (SHALLOW) UNIT,
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE DIVISION (PROPOSED)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 3, 1990, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this _____ day of October, 1990, 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) The Applicant, Samuel Gary Jr. & Associates, Inc., in Division Case No. 10,099, seeks authority to initiate a horizontal directional drilling pilot project located in the W 1/2 of Section 11, Township 20 North, Range 3 West, N.M.P.M., within the San Isidro (Shallow) Unit (Rio Puerco-Mancos Oil Pool), Sandoval County, New Mexico, and to further promulgate special operating provisions within said project area including limiting the horizontal extent of the horizontal wellbore such that it can be no closer than 660 feet to the outer boundary of the spacing unit, and assignment of special allowables to said well.

(3) The Applicant proposes to drill its initial horizontal well at a location 934 feet from the South line and 1975 feet from the West line of said Section 11, and further proposes to drill and complete said well in the following manner:

Directionally drill said well by kicking off from the vertical at a depth of approximately 3,500 feet, drill a long-radius curve in such a manner as to penetrate the Mancos shale horizontally at a depth of approximately 4,500 feet, utilize existing and proven technology to drill horizontally within the Mancos formation in a North-Northwesterly direction a distance of approximately 2,000 feet, and produce the Mancos formation throughout the entire horizontal interval.

(4) Applicant is a working interest owner in, and the unit operator of, the San Isidro (Shallow) Unit (the Unit), which covers the lands described on Exhibit A attached hereto, located in Sandoval County, New Mexico.

(5) The Unit comprises 18,897.16 acres, more or less, all of which are federal minerals. Except for Unit Tract No. 19 on the exterior of the Unit, comprising 120 acres, one hundred percent of working interests in the Unit are committed to the Unit, and the Bureau of Land Management has approved the Unit.

(6) The Unit was formed for the purpose of conducting a horizontal drilling program within the Unit.

(7) The proposed pilot well and the Unit are located within the boundaries of the Rio Puerco-Mancos Oil Pool and, as such, would be subject to the special rules and regulations for said pool, which require 320-acre spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the proration unit, nor closer than 330 feet from any quarter-quarter section line, nor closer than 1,800 feet to any other well completed or drilled within the Pool. The allowable for a well completed in said Pool is 320 barrels of oil per day.

(8) The Applicant proposes drilling additional wells to the Mancos formation within the Unit, and three wells are being permitted with the Bureau of Land Management. It is anticipated that one of these wells will be commenced by the end of October, 1990. If the pilot well and the second well are successful, additional horizontal wells will be drilled within the Unit.

(9) Testimony by the Applicant indicated that this type of well completion should result in the recovery of a substantially greater amount of oil than would normally be

recovered by a conventional well completion, thereby preventing waste.

(10) The Applicant further proposes the following special rules for horizontal/high angle wells drilled to the Mancos formation within the Unit:

(a) That the horizontal portion of the wellbore be no closer than 660 feet to the outer boundary of a well unit.

(b) That the operator be permitted to dedicate, at its option, up to two 320 acre units to a well.

(c) That each horizontal well have an unrestricted allowable and gas:oil ratio while drilling and completing, limited to a 60 day period.

(d) That, after expiration of the above 60 day period, each well have an allowable of 320 barrels of oil per day for 320 acre unit, or 640 barrels of oil per day for a 640 acre unit, which is equal to the normal allowable assigned to a standard a 320-acre proration unit in the pool times two.

(e) That an administrative procedure be authorized to approve horizontal wells in the Unit.

(11) No interest owner objected to the proposed horizontal directional drilling pilot project or to the proposed special rules for the Unit.

(12) Due to the formation of the Unit there are no offset operators within the Unit, and promulgation of special rules for drilling horizontal wells in the Mancos formation within the Unit will not adversely affect correlative rights.

(13) At the hearing on this matter, the Applicant requested that the portion of this case regarding a gas reinjection/pressure maintenance project be dismissed. The request should be granted.

(14) The Applicant presented evidence that in order to properly drill its proposed wells, the horizontal wellbores will need to cross quarter-quarter section lines.

(15) The Applicant presented evidence that in order to properly drill certain of its proposed wells, and in order to allow greater flexibility while drilling the wells, the horizontal wellbores may need to be located within two standard spacing and proration units.

(16) The Applicant submitted evidence that the horizontal wells will be drilled in an unbalanced state, and that production during drilling and completing is necessary to prevent formation damage. In addition, such production will provide data which will be useful in promulgating permanent rules for wells in the Unit.

(17) The Applicant further presented evidence that, in order to angle in better on the Mancos formation, certain wells may have non-standard surface locations.

(18) According to evidence submitted by the Applicant, certain spacing and proration units may be non-standard in size.

(19) The special operating rules should be approved subject to certain bottomhole considerations:

- (a) The bottomhole location of a well should not be located closer than 660 feet to the outer boundary of each well unit.
- (b) As to horizontal wells on the exterior well units of the Unit, such wells should not be closer than 1,800 feet to an existing or drilling well within the Pool but outside of the Unit.
- (c) As to horizontal wells on the exterior well units of the Unit, notice should be given to offset operators outside of the Unit prior to commencement of a well.

(20) As to well units comprising 640 acres, such units should be approved subject to the following condition:

- (a) The production from a well should be allocated equally between the two 320-acre proration units and should be reported to the Division as such.

(21) The wells listed below, which are within the Unit, are currently completed in the Rio Puerco-Mancos Oil Pool and are capable of producing hydrocarbons:

(a) The Shogoil No. 1 Chijuilla No. 31-14 Well, located in Unit N of Section 31, Township 21, North, Range 2 West, N.M.P.M.

(b) The GWOP Johnson No. 6-16 Well, located in Unit P of Section 6, Township 20 North, Range 2 West, N.M.P.M.

(c) The GWOP San Isidro No. 1-16 Well, located in Unit P of Section 1, Township 20 North, Range 3 West, N.M.P.M.

(d) The GWOP San Isidro No. 3-16 Well, located in Unit P of Section 3, Township 20 North, Range 3 West, N.M.P.M.

(e) The GWOP San Isidro No. 11-16 Well, located in Unit P of Section 11, Township 20 North, Range 3 West, N.M.P.M.

(f) The GWOP San Isidro No. 12-2 Well, located in Unit B of Section 12, Township 20 North, Range 3 West, N.M.P.M.

(g) The GWOP San Isidro No. 12-4 Well, located in Unit D of Section 12, Township 20 North, Range 3 West, N.M.P.M.

(h) The GWOP Johnson No. 7-11 Well, located in Unit K of Section 7, Township 20 North, Range 2 West, N.M.P.M.

(i) The GWOP San Isidro No. 14-4 Well, located in Unit D of Section 14, Township 20 North, Range 3 West, N.M.P.M.

(j) The GWOP San Isidro No. 15-4 Well, located in Unit D of Section 15, Township 20 North, Range 3 West, N.M.P.M.

(k) The GWOP San Isidro No. 15-7 Well, located in Unit G of Section 15, Township 20 North, Range 3 West, N.M.P.M.

(l) The GWOP San Isidro No. 16-10 Well, located in Unit J of Section 16, Township 20 North, Range 3 West, N.M.P.M.

(m) The GWOP San Isidro No. 18-8 Well, located in Unit H of Section 18, Township 20 North, Range 3 West, N.M.P.M.

(22) The applicant proposed that, as to well units formed with existing Mancos wells located thereon, it be required to seek Division approval before simultaneously dedicating two or more wells to one unit, and subject to the following condition:

(a) To assist the Division in the allowable assignment and for production-reporting purposes, the applicant should be required to designate one person as operator of the proposed proration units prior to the date of first production from the proposed wells.

IT IS THEREFORE ORDERED THAT:

(1) The application of Samuel Gary Jr. & Associates, Inc. for special operating provisions for drilling horizontal/high angle wellbores in the Mancos formation within the San Isidro (Shallow) Unit, Sandoval County, New Mexico, is hereby approved.

(2) That temporary special operating provisions for horizontal/high angle wellbores within the San Isidro (Shallow) Unit (Rio Puerco-Mancos Oil Pool) are hereby promulgated as follows:

SPECIAL OPERATING RULES AND REGULATIONS
FOR THE
SAN ISIDRO (SHALLOW) UNIT

RULE 1. Each well completed or recompleted in the Rio Puerco-Mancos Oil Pool or in a correlative interval within the San Isidro (Shallow) Unit shall be spaced, drilled, operated and produced in accordance with the Special Operating Rules and Regulations hereinafter set forth.

RULE 2. One or more wells may be completed or recompleted on 320 acres (consisting of the $N\frac{1}{2}$, $S\frac{1}{2}$, $E\frac{1}{2}$, or $W\frac{1}{2}$ of a governmental section) or 640 acres (consisting of an entire governmental section), more or less, at the operator's discretion.

RULE 3. Each well shall be located no nearer than 660 feet to the outer boundary of the spacing or proration unit. Wells completed on any well unit on the exterior of the San Isidro (Shallow) Unit shall not be nearer than 1800 feet to

any other well outside said Unit completed or drilling in the pool.

RULE 4. The Division Director may grant an exception to the requirements of Rule (3) without hearing when an application has been filed for an unorthodox surface location or the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, provided that the bottomhole location of the well complies with Rule 3. For wells within the interior of the San Isidro (Shallow) Unit, the Division Director may approve the application upon receipt. Such approval shall consist of acceptance of Division Form C-102 or the corresponding BLM form showing the proposed non-standard surface location. for wells on the exterior well units of said Unit, all operators or owners of undrilled tracts offsetting the proposed location shall be notified of the application by registered or certified mail, and the applicant shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all parties described above, or if no objections to the unorthodox location have been entered, within 20 days after the Director has received the application.

RULE 5A. A standard 320 acre proration unit (316 through 324 acres) shall be subject to a 320 acre depth bracket allowable of 320 barrels per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 320 acres.

RULE 5B. A standard 640 acre proration unit (632 through 648 acres) shall be subject to a 320 acre depth bracket allowable of 320 barrels per day times two, being 640 barrels per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 640 acres. This rule shall be subject to the following conditions:

(a) The production from the proposed well shall be allocated equally between the two 320-acre proration units and should be reported to the Division as such.

(b) The Division may, at its own discretion, authorize or implement a change in the method of assigning or reporting production from 640 acre units if deemed necessary.

RULE 6. The Supervisor of the Aztec district office of the Division shall have the authority to approve a non-

standard proration unit within the Rio Puerco-Mancos Oil Pool and the Unit without notice and hearing when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the nonstandard unit is not less than 75% nor more than 125% of a standard proration unit (320 or 640 acres). Such approval shall consist of acceptance of Division Form C-102 or the corresponding BLM form showing the proposed non-standard unit and the acreage contained therein.

RULE 7A. The Division Director may grant an exception to the requirements of Rule 5(A) when the unorthodox size or shape of the proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the non-standard gas proration unit is less than 75% or more than 125% of a standard gas proration unit, or where the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit consists wholly of a governmental section.

(c) As to well units on the exterior of the San Isidro (Shallow) Unit, the applicant presents written consent in the form of waivers from all offset operators or owners of undrilled tracts outside said Unit.

(d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties were notified by registered or certified mail of his intent to form such non-standard unit. The Division Director may approve the application if no such party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application.

RULE 7B. The Division Director may grant an exception to the requirements of Rule 5(B) when the unorthodox size or shape of the proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the non-standard gas proration unit is less than 75% or more than 125% of a standard gas proration unit, or where the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) the non-standard unit consists wholly of a governmental section.

(c) As to well units on the exterior of the San Isidro (Shallow) Unit, the applicant presents written consent in the form of waivers from all offset operators or owners of undrilled tracts outside said Unit.

(d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties were notified by registered or certified mail of his intent to form such non-standard unit. The Division Director may approve the application if no such party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application.

RULE 8A. The Division Director shall have the authority to administratively approve an intentionally deviated well in the Rio Puerco-Mancos Oil Pool, within the San Isidro (Shallow) Unit, for the purpose of penetrating the Mancos shale by means of a wellbore drilled horizontally, provided the following conditions are complied with:

(1) The surface location of the proposed well is a standard location or the applicant has obtained approval of an unorthodox surface location as provided for in Rule (4) above.

(2) The bore hole shall not enter or exit the Mancos shale outside of a drilling window which is in accordance with the setback requirements of Rule (3), provided however, that the 10 foot setback distance requirement from the quarter-quarter section line or subdivision inner boundary shall not apply to horizontally drilled wells.

(B) To obtain administrative approval to drill an intentionally deviated horizontal wellbore, the applicant shall file such application with the Santa Fe and Aztec Offices of the Division.

As to well units on the exterior the San Isidro (Shallow) Unit, the applicant shall further provide a copy of such application to all operators or owners of undrilled tracts offsetting the proposed proration unit for said well by registered or certified mail, and the application shall

state that such notice has been furnished. The application shall further included the following information:

(1) A copy of Division Form C-102, or the corresponding BLM form, identifying the proposed proration unit to be dedicated to the well.

(2) Schematic drawings of the proposed well which fully describe the casing, tubing, perforated or open hole interval, kick-off point, and proposed trajectory of the drainhole section.

As to well units on the exterior of said Unit, the Director may approve the application upon receipt of written waivers from all parties described above, or if no objection to the intentionally deviated horizontal wellbore has been entered, within 20 days after the Director has received the application. If any objection to the proposed intentionally deviated horizontal well is received within the prescribed time limit as described above, the Director shall, at the applicant's request, set said application for public hearing.

As to all other horizontal wells within said Unit, the Director may approve the application upon receipt.

(C) During or upon completion of drilling operations the operator shall further be required to conduct a directional survey on the vertical and lateral portions of the wellbore and shall submit a copy of said survey to the Santa Fe and Aztec Offices of the Division.

(D) The Division Director, at his discretion, may set any application for intentionally deviated horizontal wellbores for public hearing.

RULE 9. A horizontal/high angle well in the Rio Puerco-Mancos Oil Pool within the Unit shall have an unrestricted allowable and gas:oil ratio while drilling and completing for a period of 60 days.

RULE 10. Notwithstanding the provisions of Division Rule 404, the Supervisor of the Aztec district office of the Division shall have the authority to approve the venting or flaring of gas from a Rio Puerco-Mancos Oil Pool Well upon a determination that said venting or flaring is necessary during completion operations, to obtain necessary well test information, or to maintain the producibility of said well. Application to flare or vent gas shall be made in writing to the Aztec district office of the Division.

RULE 11. If a horizontal well is drilled on a unit upon which there is located another well or wells completed in and capable of producing from the Rio Puerco-Mancos Oil Pool, then only one of said wells may be produced at any one time until the operator receives approval from the Division for simultaneous dedication. Simultaneous dedication may be granted only upon the following condition:

(a) For allowable assignment and production reporting procedures, the operator shall be required to designate a single operator for all wells on one unit.

IT IS FURTHER ORDERED THAT:

(1) The Special Operating Rules and Regulations for the San Isidro (Shallow) Unit shall become effective October 1, 1990.

(2) This case shall be reopened at an examiner hearing in October, 1992 at which time the operator and interest owners in the Unit should be prepared to appear and show cause why the foregoing Special Operating Rules and Regulations should remain in effect.

(3) 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

WILLIAM J. LEMAY
Director

SEAL

HINKLE, COX, EATON, COFFIELD & HENSLEY

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October 9, 1990

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Mr. Robert Stovall
New Mexico Oil Conservation
Division
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87501

Re: Case No. 10,099, the Application of Samuel Gary, Jr. &
Associates, Inc. for a Horizontal Directional Drilling Pilot
Project, Sandoval County, New Mexico

Dear Bob:

Regarding the above case, at the last hearing you discussed obtaining a waiver from the offset operator. Enclosed is a telecopy I received from the Gary-Williams Company, the offset operator to the South, Southwest, and West of the proposed well in Section 11, waiving any notice of and objection to the proposed well. I will forward you the original when I get it, but please call me if there is anything else I can provide. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le
Enclosure

Samuel Gary Jr. & Associates, Inc.

1775 Sherman Street, Suite 1925, Denver, CO 80203 (303) 831-4673

FAX TRANSMITTAL SHEET

DATE: _____

TIME: _____

TO: JIM BRUCE

FROM: _____

FAX #: 505 768 1529

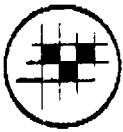
SGA FAX #: (303) 831-9012

NUMBER OF PAGES (INCLUDING THIS PAGE) 2

COMMENTS: _____

IN THE EVENT OF ANY RECEPTION PROBLEMS OR INCOMPLETE DOCUMENTS, PLEASE CONTACT
JOAN LUCERO AT (303) 831-4673

URGENT COMMUNICATION - - PLEASE DELIVER TO ADDRESSEE AT ONCE



The Gary-Williams Company

Republic Plaza • 370 17th Street • Suite 5300
Denver, Colorado 80202 • (303) 628-3800

October 5, 1990

New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

RE: OCD Case No. 10,099, the Application of Samuel Gary Jr.
& Associates, Inc. for a Horizontal Directional Drilling
Pilot Project, W/2 Section 11, Township 20 North, Range
3 West, N.M.P.M., Sandoval County, New Mexico

Dear Sirs:

The undersigned is the operator of Section 10, 14, and 15, in
Township 20 North, Range 3 West, N.M.P.M., Sandoval County,
New Mexico. As operator, we waive any notice of the above
case, and do not object to the drilling of the proposed
horizontal well.

Very truly yours,

THE GARY-WILLIAMS COMPANY

By: 

Pat Keating
Attorney-in-Fact

GARY-WILLIAMS OIL PRODUCER, INC.

By: 

Pat Keating
Attorney-in-Fact

HINKLE, COX, EATON, COFFIELD & HENSLEY
OIL CONSERVATION DIVISION
ATTORNEYS AT LAW

LEWIS C. COX
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CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
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GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH

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ALBUQUERQUE, NEW MEXICO 87102-2121
90 OCT 12 AM 9:14
(505) 768-1500

FAX (505) 768-1529

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October 5, 1990

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*NOT LICENSED IN NEW MEXICO

Mr. Jim Morrow
New Mexico Oil Conservation
Division
P. O. 2088
Santa Fe, New Mexico 87504

Re: OCD Case No. 10,099

Dear Mr. Morrow:

At the hearing on October 3, 1990, the question of sufficiency of notice was raised. The offset operator to the proposed well in the W $\frac{1}{2}$ of Section 11-20 North-3 West is Gary Williams Oil Producer, Inc. Enclosed is a written waiver of notice and waiver of objection to the proposed horizontal well. Please let me know if you desire anything further in this matter.

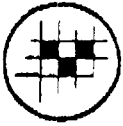
In addition, at the hearing in the same case on September 17, 1990, we requested permission to submit to the examiner as exhibit no. 5 the notice letter regarding the proposed horizontal well to the Bureau of Land Management. Enclosed for the file in the case are two copies of said notice letter.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le
Enclosure



The Gary-Williams Company

Republic Plaza • 370 17th Street • Suite 5300
Denver, Colorado 80202 • (303) 628-3800

October 5, 1990

New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

RE: OCD Case No. 10,099, the Application of Samuel Gary Jr.
& Associates, Inc. for a Horizontal Directional Drilling
Pilot Project, W/2 Section 11, Township 20 North, Range
3 West, N.M.P.M., Sandoval County, New Mexico

Dear Sirs:

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horizontal well.

Very truly yours,

THE GARY-WILLIAMS COMPANY

By: 

Pat Keating
Attorney-in-Fact

GARY-WILLIAMS OIL PRODUCER, INC.

By: 

Pat Keating
Attorney-in-Fact

(RIO PUERCO-MANCOS POOL - Cont'd.)

(7) That the reservoir drive mechanism appears to be solution gas drive.

(8) That to ensure maximum efficiency of the solution gas, the limiting gas-oil ratio should be 500 cubic feet per barrel.

(9) That the currently available information indicates that one well in this area should be capable of effectively and efficiently draining 320 acres.

(10) That in order to prevent the economic loss caused by the drilling of unnecessary wells, and to otherwise prevent waste and protect correlative rights, the Rio Puerco-Mancos Oil Pool should be created with temporary Special Rules providing for 320-acre spacing.

(11) That the vertical limits of the Rio Puerco-Mancos Oil Pool should be the Niobrara member of the Mancos shale with horizontal limits as follows:

TOWNSHIP 20 NORTH, RANGE 2 WEST, NMPM
Sections 6 and 7: All
Section 18: All

TOWNSHIP 20 NORTH, RANGE 3 WEST, NMPM
Sections 1 through 4: All
Sections 9 through 16: All

(12) That the said Temporary Special Rules and Regulations should be established for a two-year period in order to allow the operators in the Rio Puerco-Mancos Oil Pool to gather reservoir information to establish whether the temporary rules should be made permanent.

IT IS THEREFORE ORDERED:

(1) (As Amended by Order No. R-7471-A, May 22, 1985) That a new pool in Sandoval County, New Mexico, classified as an oil pool for Mancos production is hereby created and designated as the Rio Puerco-Mancos Oil Pool, with the vertical limits comprising the Niobrara member of the Mancos shale and with horizontal limits as follows:

TOWNSHIP 20 NORTH, RANGE 2 WEST, NMPM
Secs. 3 through 10: All
Secs. 15 through 18: All

TOWNSHIP 20 NORTH, RANGE 3 WEST, NMPM
Secs. 1 through 4: All
Secs. 9 through 16: All
Secs. 21 through 28: All

TOWNSHIP 21 NORTH, RANGE 2 WEST, NMPM
Secs. 19 through 22: All
Secs. 27 through 34: All

TOWNSHIP 21 NORTH, RANGE 3 WEST, NMPM
Secs. 25 and 26: All
Secs. 35 and 36: All

(2) That temporary Special Rules and Regulations for the Rio Puerco-Mancos Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
RIO PUERCO-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the Rio Puerco-Mancos Oil Pool or in a correlative interval within one mile of its boundary, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. No more than one well shall be completed or recompleted on a standard unit containing 320 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental section.

RULE 3. (As Amended by Order No. R-7471-A, May 22, 1985, as Corrected by Order No. R-7471-A-1, May 31, 1985.) Each well shall be located no nearer than 660 feet to the outer boundary of the spacing or proration unit, nor nearer than 330 feet to a governmental quarter-quarter section line, nor nearer than 1800 feet to any other well completed or drilling within the pool.

RULE 4. The limiting gas-oil ratio shall be 500 cubic feet per barrel of oil.

RULE 5. A standard proration unit (316 through 324 acres) shall be subject to a 320-acre depth bracket allowable of 320 barrels per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 320 acres.

IT IS FURTHER ORDERED:

(1) That the Special Rules and Regulations for the Rio Puerco-Mancos Oil Pool shall become effective April 1, 1984.

(2) That any well presently producing from the Rio Puerco-Mancos Oil Pool which does not have a standard 320-acre proration unit, an approved non-standard proration unit, or which does not have a pending application for a standard or non-standard proration unit by April 1, 1984, shall be shut-in until a standard or non-standard unit is assigned the well.

(3) That this case shall be reopened at an examiner hearing in April, 1986, at which time the operators in the subject pool should be prepared to appear and show cause why the Rio Puerco-Mancos Oil Pool should not be developed on 40-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

(EAST SKAGGS-ABO POOL - Cont'd.)

(6) That the discovery well for said pool, the Conoco Inc. Southeast Monument Unit Well No. 71, located 660 feet from the South line and 1830 feet from the East line of said Section 18, is entitled to and should receive a bonus discovery allowable in the amount of 35,145 barrels of oil, based upon the top perforations in said well at 7083 feet, to be assigned over a two-year period.

(7) That the reservoir characteristics of the subject pool justify the establishment of a gas-oil limitation of 6000 cubic feet of gas per barrel of liquid hydrocarbons.

(8) That in order to afford to the owners in the proposed East Skaggs-Abo Pool the opportunity to produce their just and equitable share of the oil and gas in the subject pool and for this purpose to use their just and equitable share of the reservoir energy, a limiting gas-oil ratio of 6000 cubic feet of gas per barrel of liquid hydrocarbons should be established for the subject pool.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Abo production, is hereby created and designated the East Skaggs-Abo Pool, with vertical limits comprising the Abo formation and horizontal limits comprising the following described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 18: SE/4 and E/2 SW/4
Section 19: N/2 NE/4 and NE/4 NW/4

(2) That the discovery well for said pool, the Conoco Inc. Southeast Monument Unit Well No. 71, located 660 feet from the South line and 1830 feet from the East line of Section 18, Township 20 South, Range 38 East, NMPM, Lea County, New Mexico, is hereby assigned an oil discovery allowable in the amount of 35,415 barrels of oil, to be produced in addition to said well's regularly assigned allowable, at a rate of 49 barrels of oil per day during the next two years.

(3) That special rules and regulations for the East Skaggs-Abo Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
EAST SKAGGS-ABO POOL

RULE 1. That the limiting gas-oil ratio for said East Skaggs-Abo Pool shall be 6000 cubic feet of gas for each barrel of oil produced.

(4) That 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.

RIO PUERCO-MANCOS POOL
Sandoval County, New Mexico

Order No. R-7471, Creating and Adopting Temporary Operating Rules for the Rio Puerco-Mancos Pool, Sandoval County, New Mexico, April 1, 1984, as Amended by Order No. R-7471-A, May 22, 1985, and Corrected by Order No. R-7471-A-1, May 31, 1985.

Order No. R-7471-B, June 2, 1986, continues in full force and effect the temporary rules adopted in Order No. R-7471, as amended.

Application of Samuel Gary Oil Producers, Inc. for New Pool Creation and Special Pool Rules, Sandoval County, New Mexico.

CASE NO. 8030
Order No. R-7471

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came for hearing at 9:00 a.m. on February 2, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of March, 1984, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Samuel Gary Oil Producers, Inc., seeks an order creating a new oil pool for the Mancos formation with special pool rules including a provision for 320-acre spacing, Sandoval County, New Mexico.

(3) That in companion Case No. 8063, Champlin Petroleum Company seeks an order creating a new oil pool from the Mancos formation, with special pool rules including a provision for 160-acre spacing, Sandoval County, New Mexico.

(4) That Cases 8030 and 8063 were consolidated for the purpose of obtaining testimony.

(5) That the Mancos formation in the area is a fractured reservoir with low porosity and a matrix permeability that should be conducive for wide spacing.

(6) That the oil in the Mancos formation in this area is an under-saturated crude with a solution gas-oil ratio of 340 cubic feet per barrel.



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

MEMORANDUM

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

TO: NEW MEXICO OIL PRODUCERS

FROM: WILLIAM J. LeMAY, Director, Oil Conservation Division *WJL*

SUBJECT: REGULATORY INITIATIVES TO INCREASE NEW MEXICO'S OIL PRODUCTION

DATE: SEPTEMBER 6, 1990

In response to the crisis in the Middle East, the Secretary of the Energy has asked oil producing states to take initiatives to increase domestic oil production.

To meet the Secretary's request, the New Mexico Oil Conservation Commission has placed on the September 24, 1990, docket a hearing to receive comments and suggestions from the oil industry on steps which the Division or the Commission might take to increase New Mexico's oil production immediately, and in the short term (3 to 6 months) and longer time frames.

The Commission is particularly interested to learn if producers see any Oil Conservation Division regulatory impediments which hinder drilling and/or production, whether oil allowables could be increased or eliminated, without violating correlative rights or creating waste, if there are any rule changes which could promote additional oil production and suggestions from industry relating to the Energy Secretary's directive. The Commission is soliciting comments only on actions which it or the Division might take and not on legislative initiatives or actions which would necessarily have to be taken by other governmental agencies, such as the Bureau of Land Management or Internal Revenue Service.

While no order will be issued as a result of this hearing, the Commission will utilize industry input in the implementation of regulatory policy which will allow or encourage higher production levels, either from existing wells or from new developments, without causing waste or impairing correlative rights.

PROPOSED NEW RULE 1135

Each gas transporter from a prorated gas well shall give notice to the Division within 30 days of new connection, reconnection or disconnection of a well to, or from, the gathering transportation system by filing Form C-135, in duplicate, with the appropriate District office of the Division, as required by the appropriate order of the Division (Order R-8170, as amended).



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

November 13, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Attorneys at Law
500 Marquette, N.W., Suite 800
Albuquerque, New Mexico 87102-2121

Re: CASE NO. 10099
ORDER NO. R-9334

Applicant:
Samuel Gary Jr. and
Associates, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____
