

One of the NICOR  
basic energy companies

## NICOR EXPLORATION

1667 Cole Boulevard Golden, Colorado 80401 Phone 303 232 9292

June 29, 1987

W.J. LeMay  
New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87504

Re: Unorthodox Location request  
with south-half spacing for  
Sec. 22-T2S-R29E  
Roosevelt, County, N.M.

Dear Sirs:

Marshall Pipe and Supply Company, as Operator, of drilling and production activities in the "Best" Area (Tule Field), plans to permit an unorthodox location within a south-half spaced unit in Section 22, T2S, R29E; said location being 1400 feet FSL and 1280 feet FEL. Nicor Explorion is a working interest party to any operations in the referenced section, and is in favor of the well location and spacing unit requested by Marshall Pipe and Supply Company.

The requested location will allow for efficient drainage of the reservoir while providing acceptable geologic risk in light of know faulting in the section. The NE-SW trending fault in the SE/4 of Section 22 depicted on W.J. Harkey's Pre-Cambrian formation structure map is recognized by Nicor as prohibiting a standard location. Movement of the proposed location to the west or north (at a standard location) would result in unacceptable geologic risk due to proximity to the fault.

The NE-SW fault is probably a barrier that separates potential reservoir in the NE/4 of the section from that in the SE/4. A south-half spaced unit with the requested unorthodox location, followed at a later date by a north-half spaced unit with a well drilled in the NE/4, is the most efficient means for developing potential reserves in Section 22. A single well located on an east-half spaced unit would not be capable of efficiently draining reservoir in this section due to the presence of the above referenced fault.

Sincerely,

D.L. Nelson  
Area Exploration Geologist

cc: J.W. Marshall  
Marshall Pipe & Supply



**DANA-HARKEY and ASSOCIATES, INC.**

*Consultants in Geophysics  
Geology and Exploration*

727 Meadows Building, 5646 Milton  
Dallas, Texas 75206, 214-692-6505

June 24, 1987

W. J. Harkey  
John A. Thomas

Mr. J. W. Marshall  
Marshall Pipe & Supply Company  
13423 Forestway Drive  
Dallas, Texas 75240

Re: Permit for Unorthodox Location  
SE Section 22, T2S, R29E  
Roosevelt County, New Mexico

Dear Mr. Marshall:

The following is a geophysical evaluation of Section 22, T2S, R29E in the above referenced Roosevelt County area. These comments are primarily concerned with the geophysical interpretation as it relates to the location of the well proposed for drilling in Section 22.

Based on the geological factors as shown on our depth maps for Control For Pennsylvanian Formation and Control For Pre-Cambrian Formation, as well as the seismic cross section for Marshall Pipe & Supply Line 1, the recommended location for well is 1400 feet North of the South Line and 1280 feet West of the East Line of Section 22. This is to be on the 320 acres that will be laying down, i.e., running east and west.

As defined by the Commission rules, the above location is an Unorthodox Location. Justification for this location is explained below.

1) Referring to the map for Control For Pennsylvanian Formation, one of the potential producing zones, a fault is shown to cross the Southeast Quarter of Section 22. On the up thrown side of this fault (vicinity Shotpoints 300 and 305) the northern part of a structural high is shown. If the well were located as defined by Commission Rule Book dated 3-1-82, Amendment No.1, C-3, the well would be located either on the down thrown side of the fault or near the fault where the interpretation is not definitive. That is, moving the well to an Orthodox Location would result in a high risk position caused by the fault or a down dip location.

2) Referring to the map for Control For Pre-Cambrian Formation, one of the potential producing zones, the fault described above is still present and prevents locating the well farther west than here

Mr. J. W. Marshall  
Marshall Pipe & Supply Company  
June 24, 1987  
Page 2

recommended without greatly increasing geologic risk for the success of the well. A structural high has been mapped in the Southeast quarter of Section 22. If the location were moved west to an Orthodox Location an undesirable position would result due to the nearness to the fault and structurally low position.

3) Referring to the enclosed portion of Marshall Pipe & Supply Co. Seismic Line 1 the seismic events representing the Pennsylvanian reflection and the Pre-Cambrian reflection are identified. Also shown on the seismic line is the fault discussed with regards to the two maps. The exact position of the fault with respect to surface shotpoint locations is not well defined but is considered to be located between the surface locations of shotpoints 307 and 312. For this reason, moving the proposed location west of shotpoint 305 is considered undesirable from a geologic standpoint. Since the down thrown side of the fault is not considered as a feasible drilling location (in this vicinity), it is most important to reduce the risk associated with locating the well nearer the fault than represented by the structural position near shotpoint 305.

4) The east-west lay down pattern of the 320 acres for the new location is very important in view of an indicated anticlinal feature in the northeast quarter of Section 22 on the down side of the fault. Another drill location there may be justified to test for non-communicating deposits of hydrocarbons.

In conclusion, an application for and the granting of an Unorthodox Location (1400 ft. North of the South Line and 1280 ft. West of the East Line of Section 22) is of major geologic importance to the success of a well drilled in the Southeast quarter of Section 22, and the maximum eventual exploitation of the reserves in this area.

Very truly yours,

  
W.J. Harkey

ASSIGNMENT

STATE OF NEW MEXICO                   §  
   §     KNOW ALL MEN BY THESE PRESENTS THAT:  
 COUNTY OF ROOSEVELT               §

THAT for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MARSHALL PIPE & SUPPLY COMPANY, a partnership, hereinafter referred to as "Assignor", does hereby BARGAIN, SELL, TRANSFER, ASSIGN and CONVEY to JACK AHLEN, whose address is 533 Petroleum Bldg., Roswell, New Mexico, hereinafter referred to as "Assignee", his heirs and assigns, the following:

- (1) An overriding royalty interest, free and clear of all costs of exploring, developing and operating the leases hereinafter described, except (1) ad valorem taxes, production taxes, severance taxes and windfall profit taxes, and (2) transportation and marketing expenses, equal to an undivided five percent (5%) of all the oil, gas, casinghead gas, gas condensate and gas distillate that may be produced, saved and marketed under and by virtue of the oil and gas leases described on the schedule of leases which is attached hereto as Exhibit "A" and made a part hereof for all purposes, such leases being sometimes referred to in this instrument as the "Leases", or any renewals or extensions thereof; and
- (2) An undivided one-half (1/2) interest in the Leases insofar as they cover all of the land described on Exhibit "A" hereto other than and except the South Half (S/2) of Section 27, Township 2 South, Range 29 East N.M.P.M. Roosevelt County, New Mexico, which interest is subject to and shall bear its proportionate one-half (1/2) part of the overriding royalty described in (1) above insofar, but only insofar, as such overriding royalty covers and affects all of the land described on Exhibit "A" hereto other than and except the said South Half (S/2) of Section 27, Township 2 South, Range 29 East, N.M.P.M., Roosevelt County, New Mexico.

The overriding royalty interest described in (1) shall be reduced proportionately with respect to any lease described on Exhibit "A" hereto which covers less than the entire mineral estate in oil and gas (including casinghead gas, gas condensate and gas distillate) in and under the land described in such lease and purportedly covered thereby.

Anything herein to the contrary notwithstanding, the exploration, development and operation of the Leases, including the perpetuation of the Leases by the payment of rentals or otherwise, shall be solely at the will of Assignor and Assignor shall have no duty or responsibility to Assignee with respect thereto.

The overriding royalty herein assigned and conveyed to Assignee may be pooled and unitized by Assignor to the same extent and in the same manner as the Leases and the royalty provided for in the Leases.

The interest described in (2) above is subject to a certain joint operating agreement of even date herewith executed by and between Assignor, as Operator, and Assignee and others, as Non-Operators, covering the Leases and other leases and lands.

This assignment is executed without warranty of title, express or implied, except as to conveyances or encumbrances by, through or under Assignor.

IN WITNESS WHEREOF, this assignment is executed this 14th day of August, 1986.

MARSHALL PIPE & SUPPLY COMPANY

By: J. W. Marshall

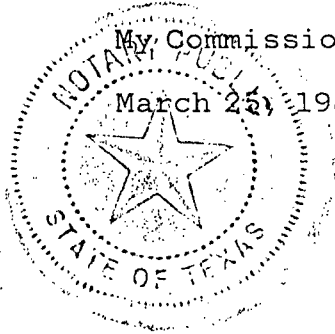
J. W. Marshall, Partner

THE STATE OF TEXAS    §  
                                  §  
 COUNTY OF DALLAS    §

The foregoing instrument was acknowledged before me this 30<sup>th</sup> day of October, 1986, by J. W. Marshall, partner, on behalf of Marshall Pipe & Supply Company, a partnership.

My Commission Expires:

March 25, 1989



Dana Cooley  
 Notary Public in and for the  
 State of Texas

Dana Cooley  
 (Print or Type Name of Notary)

EXHIBIT "A"  
to Assignment From Marshall Pipe & Supply  
Company to Jack Ahlen

[Note: Each of the leases listed below is to or in favor of Marshall Pipe & Supply Company, as Lessee. All recording references for the leases listed below are to the Oil & Gas Lease Records of Roosevelt County, New Mexico. All land covered by the leases listed below is in Township 2 South, Range 29 East, N.M.P.M., Roosevelt County, New Mexico.]

1. Lease dated April 4, 1986, from Mabelle S. Benedict and Marianne B. Frates, as Lessor, recorded in Book 121, Page 773, covering the SW/4 of Section 23.
2. Lease dated March 27, 1986, from Lynn Waite Stoltenberg Ray and Sue Anne Stoltenberg Campbell, as Lessor, recorded in Book 121, Page 775, covering the SE/4 and the NW/4 of Section 27.
3. Lease dated March 27, 1986, from Lynn Waite Stoltenberg Ray and Sue Anne Stoltenberg Campbell, as Lessor, recorded in Book 121, Page 777, covering the E/2 and the NW/4 of Section 26.
4. Lease dated March 27, 1986, from RepublicBank First National Midland, Successor Trustee Under the Will of R. B. Cowden, Deceased, as Lessor, recorded in Book 121, Page 779, covering all of Section 27.
5. Lease dated March 27, 1986, from Robert B. Holt and Elaine Magruder, Co-Trustees of the R. B. Cowden Testamentary Trust, as Lessor, recorded in Book 121, Page 783, covering the NW/4 of Section 27.
6. Lease dated March 27, 1986, from Robert B. Holt and Elaine Magruder, Co-Trustees of the R. B. Cowden Testamentary Trust, as Lessor, recorded in Book 121, Page 785, covering the NE/4 of Section 27.
7. Lease dated March 27, 1986, from Robert B. Holt and Elaine Magruder, Co-Trustees of the R. B. Cowden Testamentary Trust, as Lessor, recorded in Book 121, Page 787, covering the SE/4 of Section 27.
8. Lease dated March 27, 1986, from Robert B. Holt and Elaine Magruder, Co-Trustees of the R. B. Cowden Testamentary Trust, as Lessor, recorded in Book 121, Page 789, covering the SW/4 of Section 27.
9. Lease dated March 27, 1986, from Robert B. Holt and Elaine Magruder, Co-Trustees of the R. B. Cowden Testamentary Trust, as Lessor, recorded in Book 121, Page 791, covering the NW/4 of Section 26.
10. Lease dated March 27, 1986, from Robert B. Holt and Elaine Magruder, Co-Trustees of the R. B. Cowden Testamentary Trust, as Lessor, recorded in Book 121, Page 793, covering the SW/4 of Section 23.
11. Lease dated March 27, 1986, from Barbara June Cowden Magruder, as Lessor, recorded in Book 121, Page 795, covering the NE/4 of Section 27.

12. Lease dated March 27, 1986, from Barbara June Cowden Magruder, as Lessor, recorded in Book 121, Page 797, covering the NW/4 of Section 27.
13. Lease dated March 27, 1986, from Barbara June Cowden Magruder, as Lessor, recorded in Book 121, Page 799, covering the SE/4 of Section 27.
14. Lease dated March 27, 1986, from Barbara June Cowden Magruder, as Lessor, recorded in Book 121, Page 801, covering the SW/4 of Section 27.
15. Lease dated March 11, 1986, from Wendell Best, Thelma Parker, Billie Cooper and Evelyn Kerby, as Lessor, recorded in Book 121, Page 616, covering the E/2 of Section 26 and E/2 of Section 27.
16. Lease dated April 25, 1986, from June D. Speight, as Lessor, recorded in Book 122, Page 150, covering the E/2 and the NW/4 of Section 26.
17. Lease dated April 25, 1986, from June D. Speight, as Lessor, recorded in Book 122, Page 148, covering all of Section 23.
18. Lease dated April 25, 1986, from June D. Speight, as Lessor, recorded in Book 122, Page 146, covering the N/2 of the N/2 of Section 22.
19. Lease dated May 27, 1986, from Texaco Producing Inc., as Lessor, recorded in Book 122, Page 139, covering the following described land:

Section 23: SW/4  
 Section 26: E/2 and NW/4  
 Section 27: All

STATE OF NEW MEXICO  
 COUNTY OF ROOSEVELT  
 Recorded this

MAR 26 1987

At 10:30 O'Clock AM  
 Book 123 Page 425  
 Clerk JOYCE LEE FRAZE  
 Deputy [Signature]





Release Date  
July 6, 1987  
No offset

B, DC

**MARSHALL Pipe & Supply Company**

Drilling

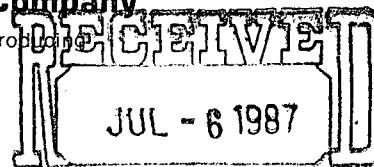
Producing

13423 FORESTWAY DRIVE

DALLAS, TEXAS 75240

(214) 239-7284

July 2nd, 1987



OIL CONSERVATION DIVISION  
SANTA FE

J. W. Marshall  
Dallas, Texas  
RESIDENCE  
(214) 233-7881

State of New Mexico  
Energy and Minerals Dept.,  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

NSL-2360  
RULE-104A(II)

Re: Speight #1  
Section 22,  
T2S, R29E  
Roosevelt County, New Mexico  
UNORTHODOX LOCATION:

Gentlemen: *1400 FSL &*  
*1280 FFL*  
*Wildcat Pennsylvania*  
*32000000 8 1/2 Sect 22*  
as per (F): Page C-5, Para. #1,  
2, 3, 4, and 5, and (G)

We are enclosing the following:

- Form C-101, 5 copies
- Form C-102, 3 copies
- Diagram of Blowout Preventer, 5 copies
- Our State of New Mexico, \$ 50,000.00 Blanket Plugging Bond is in your files
- Dana-Harkey & Associates' Seismic Map on Pre-Cambrian and letter discussing Geological Conditions, Insert copy of Seismic Line showing fault running SW NE through Section 22, T2S, R29E
- Nicor Exploration, David Nelson, Area Exploration Geologist's letter discussing geological conditions, together with copy of W. J. Harkey's seismic map.
- Two maps showing that all offsetting acreage is under the same ownership. PLEASE NOTE: where Jack Ahlen's name is shown on N/2 Section 14, S/2 Section 15, S/2 of NE Section 22, W/2 Section 28, SW/4 of Section 26, T2S, R29E, all US Government Land, is controlled by Marshall Pipe & Supply Company under Farm-out Agreement from Jack Ahlen to Marshall Pipe & Supply Co., dated March 25th, 1986.

Waiver Letter from Marshall Pipe & Supply Company, as offset Operator to S/2 Section 22, T2S, R29E, Roosevelt County, New Mexico.

If you have any questions, please do not hesitate to call us collect.

Thanking you, we are,  
Very truly yours,  
MARSHALL PIPE & SUPPLY COMPANY

J. W. Marshall

JWM:vlj

encl:

# Jack Houston Drilling, Inc.

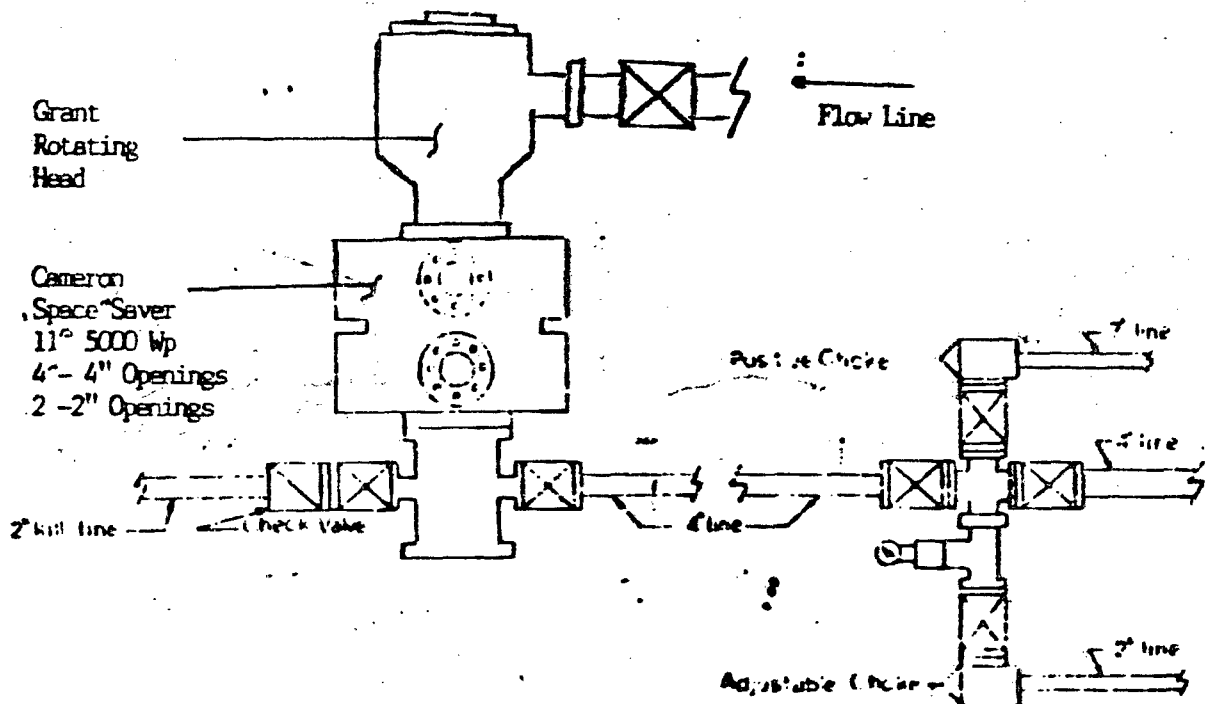
Box 979

Bowie, Texas 76230

(B17) 872-3221

(B17) 872-4551

Re: SPEIGHT #1  
SECTION 22,  
T2S, R29E, NMPM  
Roosevelt County, New Mexico

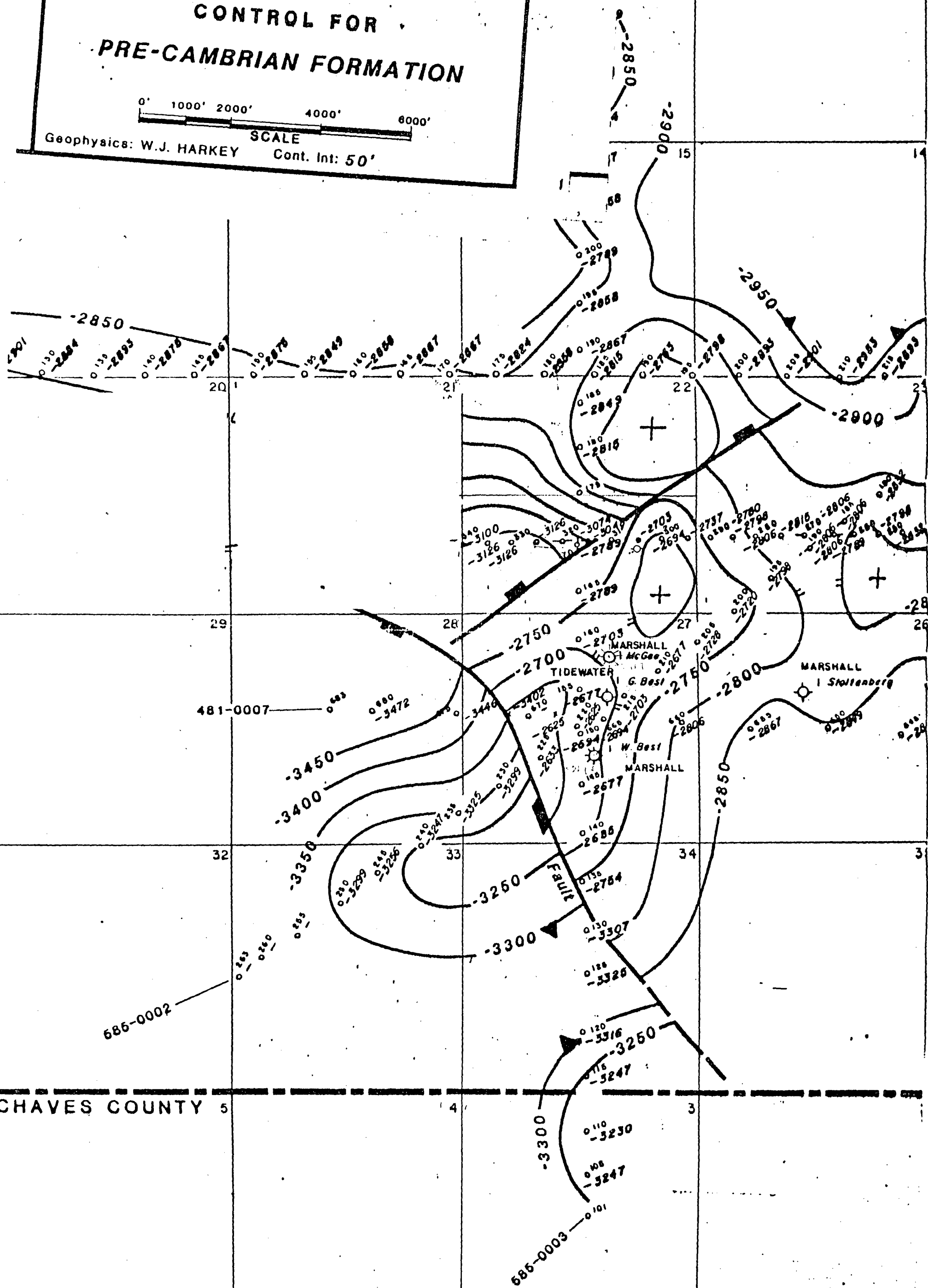


RIG #2 BLOW\_OUT EQUIPMENT

CONTROL FOR  
PRE-CAMBRIAN FORMATION



Geophysics: W.J. HARKEY SCALE  
Cont. Int: 50'





CHAVES, Northeast  
R-29-E

R. 29 E.

<p>Section 16 T2S, 29E Marshall Pipe &amp; Supply Wintergreen, Depco</p> <p>State</p>	<p>Section 15 T2S, R29E Marshall Pipe &amp; Supply Depco, Wintergreen</p> <p>Marshall US</p> <p>Marshall Pipe &amp; Sup. US</p>	<p>Section 14 T2S, R29E Marshall Pipe &amp; Supply Co.,</p> <p>US</p> <p>Marshall Pipe &amp; Supply Depco, Wintergreen Yates</p>
<p>Section 21 T2S, R29E Marshall Pipe &amp; Supply Wintergreen, Depco, Nicor</p>	<p>Section 22 T2S, R29E Marshall Wintergreen Depco, Nicor, Yates, Eagle</p> <p>Marshall Pipe &amp; Supply US</p> <p>PRORATION UNIT</p> <p>#1 Marshall Speight Wintergreen LOCATION Depco, Nicor 1400 FSL Yates, Eagle Oil 1260 FEL</p>	<p>Section 23 T2S, R29E Marshall Pipe &amp; Supply Wintergreen, Depco, Nicor, Yates, Eagle Oil</p>
<p>Section 28 T2S, R29E Marshall Pipe &amp; Sup. Marshall Pipe &amp; Sup. Depco, Nicor, Wintergreen</p> <p>US</p>	<p>Section 27 Marshall Depco Nicor Yates Wintergreen Eagle Oil</p> <p>J.T. McGee #1</p> <p>Tidewater</p> <p>Wendell Best #1 Marshall Pipe &amp; Supply</p>	<p>Section 26 T2S, R29E Marshall Pipe &amp; Supply Wintergreen, Depco, Nicor Stoltenberg Yates, Eagle #1</p> <p>Marshall Pipe &amp; Sup</p> <p>US</p>

T2S, R29E, ROOSEVELT COUNTY, NEW MEXICO



**MARSHALL Pipe & Supply Co**

Drilling

Proc

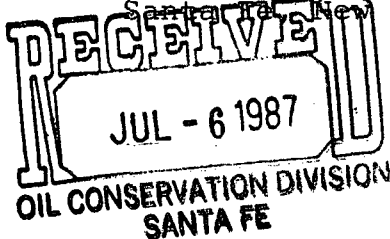
13423 FORESTWAY DRIVE  
DALLAS, TEXAS 75240

(214) 239-7284

July 2nd, 1987

J. W. Marshall  
Dallas, Texas  
RESIDENCE  
(214) 233-7881

State of New Mexico  
Energy and Minerals Dept.,  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501



Gentlemen:

We are enclosing the following:

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Form C-102, 3 copies  
Diagram of Blowout Preventer, 5 copies  
Our State of New Mexico, \$ 50,000.00 Blanket Plugging Bond  
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Dana-Harkey & Associates' Seismic Map on Pre-Cambrian  
and letter discussing Geological Conditions, Insert  
copy of Seismic Line showing fault running SW NE  
through Section 22, T2S, R29E  
Nicor Exploration, David Nelson, Area Exploration Geologist's  
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Two maps showing that all offsetting acreage is under the  
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is shown, on N/2 Section 14, S/2 Section 15,  
S/2 of NE Section 22, W/2 Section 28, SW/4 of Section  
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by Marshall Pipe & Supply Company under Farm-out  
Agreement from Jack Ahlen to Marshall Pipe & Supply Co.,  
dated March 25th, 1986.

Waiver Letter from Marshall Pipe & Supply Company, as offset  
Operator to S/2 Section 22, T2S, R29E, Roosevelt County,  
New Mexico.

If you have any questions, please do not hesitate to call us  
collect.

Thanking you, we are,  
Very truly yours,  
MARSHALL PIPE & SUPPLY COMPANY

J. W. Marshall

JWM:vlj

encl:

Friday July -3-1987  
Correction on  
Our letter dated  
July 2nd 1987  
Should read S2 of  
N2 of Section 22  
instead of S2 of NE  
of Sec 22  
JW Marshall

Re: Sp

Section

T2S, R29E

Roosevelt County, New Mexico

UNORTHODOX LOCATION:

as per (F): Page C-5, Para. #1,  
2, 3, 4, and 5, and (G)

**MARSHALL Pipe & Supply Company**

Drilling

Producing

J. W. Marshall  
Dallas, Texas  
RESIDENCE  
(214) 233-7881

13423 FORESTWAY DRIVE  
DALLAS, TEXAS 75240  
**(214) 239-7284**

July 2nd, 1986

Marshall Pipe & Supply Company  
13423 Forestway Dr.,  
Dallas, Texas 75240

Re: Speight #1  
Section 22  
T2S, R29E  
Roosevelt County, New Mexico

Gentlemen:

Inasmuch as you are the Operator of offset leases we are notifying you of our application for Unorthodox Location for our Speight #1, located 1400' of the South Line, and 1280' from the East Line, Unit Letter I, Section 22, T2S, R29E.

If you have no objections to this location, please agree to this location by signing in designated space at the bottom of this letter.

Thanking you, we are,

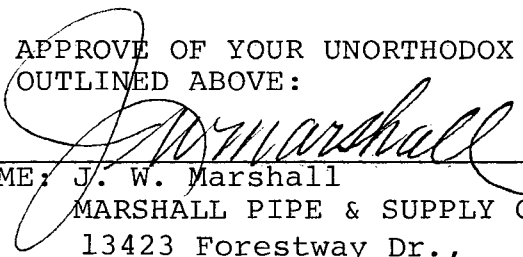
Very truly yours,

MARSHALL PIPE & SUPPLY COMPANY

  
J. W. Marshall

JWM:vlj

WE APPROVE OF YOUR UNORTHODOX LOCATION FOR YOUR SPEIGHT #1,  
AS OUTLINED ABOVE:

  
NAME: J. W. Marshall  
MARSHALL PIPE & SUPPLY COMPANY  
13423 Forestway Dr.,  
Dallas, Texas 75240

7/2<sup>nd</sup>/1987  
DATE:

**Jack Ahlen**

CONSULTING GEOLOGIST  
533 PETROLEUM BUILDING  
ROSWELL, NEW MEXICO 88201

August 20, 1987

Mr. David Catanach  
State Land Office Bldg.  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87504

Dear Mr. Catanach:

You have advised me that administrative approval has been granted for Marshall Pipe & Supply Company to drill the #1 Speight at an unorthodox location in Sec. 22-T2S-R29E, Roosevelt County, New Mexico.

I object to such approval based on rule 104 F IV. I am an offset operator of leases by virtue of an assignment of interest from Marshall Pipe & Supply Company, dated the 14th of August 1986, and recorded in Roosevelt County, Book 123, page 425. (see attachment)

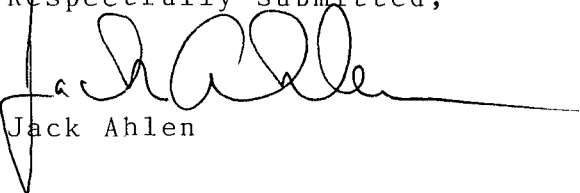
Notice was not properly given as required by 104 F IV. If such notice had been given I would have requested a hearing to present geological evidence to dispute the orientation of the proration unit. Seismic data shot by Marshall Pipe & Supply Company, through the S/2 of sec. 22 shows a significant down to the west fault near the center of the section. Displacement on the fault as mapped by W. J. Harkey for Marshall Pipe & Supply Company is approximately 260 feet. Such displacement indicates that the SW/4 of sec. 22, which is the W/2 of the proration unit, is not productive. Mr. Harkey interprets the northeast quarter of sec. 22 to be almost as high as the southeast quarter. (see attached copy of Harkey's map)

The proration unit for the Speight well should be the east half of section 22 rather than the south half.

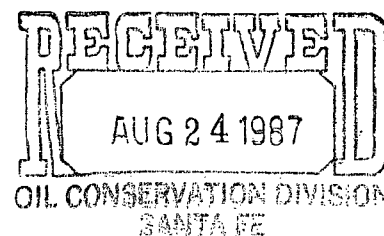
My correlative rights as an owner of operating interest and royalty interests will be damaged as a result of an improperly oriented proration unit.

I request a hearing before the commission to resolve this dispute.

Respectfully submitted,

  
Jack Ahlen

attachments





340  
335  
330  
325  
320  
315  
310  
305  
300  
295  
290  
285  
280  
275

2. Section of fault not clearly defined.

