

HINKLE, COX, EATON, COFFIELD & HENSLEY
P.L.L.C.*

ATTORNEYS AT LAW

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(505) 982-4554 FAX (505) 982-8623

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CLARENCE E. HINKLE (1901-1985)

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L. A. WHITE**

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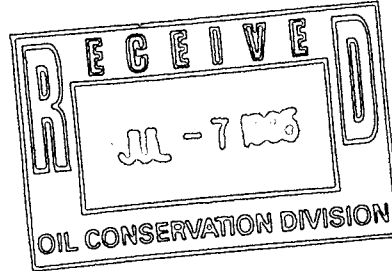
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*NOT LICENSED IN NEW MEXICO
*FORMERLY COMPRISING THE FIRM OF
CULTON, MORGAN, BRITAIN & WHITE, P.C.

July 7, 1995

HAND DELIVERY

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505



Re: Administrative application of Billico Energy, Inc. for a 40-acre oil spacing and proration unit in the Cha Cha-Gallup Oil Pool comprising the NE $\frac{1}{4}$ NW $\frac{1}{4}$ (Unit C) of Section 11, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico; Mesa Kirtland "11" Well No. 1.

Dear Mr. Stogner:

The above application was filed in March 1995. A copy of the original application is attached for your reference as Exhibit A. By letter dated March 7, 1995 (copy attached as Exhibit B), you requested additional data. We have now collected the data you requested, and we state as follows:

1. Attached as Exhibit C is a land plat which indicates
(a) ownership of the unleased tract in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11,
(b) offset operators, and (c) pool boundaries.

Please note that the offsetting acreage to the west is in the Meadows-Gallup Pool, spaced on 40 acres, while the E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 11 is in the Cha Cha-Gallup Pool, spaced on 80 acres. Because of pool boundaries and existing wells, the only standard unit would be the E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 11.

2. Attached as Exhibit D is an Affidavit Regarding Notice. Notice was given to the two offset operators, although the notice to S&I Oil Company (mailed to the address set forth in OCD well files) was returned. The Farmington phone book gives no current listing for S&I Oil Company.

In addition, Phillips Petroleum Company, the unleased mineral interest owner of the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11, was notified.

POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88202
(505) 622-6510
FAX (505) 623-9332

POST OFFICE BOX 3580
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(915) 683-4691
FAX (915) 683-6518

POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

POST OFFICE BOX 2043
ALBUQUERQUE, NEW MEXICO 87103
(505) 768-1500
FAX (505) 768-1529

401 W. 15TH STREET, SUITE 800
AUSTIN, TEXAS 78701
(512) 476-7137
FAX (512) 476-5431

Michael E. Stogner
New Mexico Oil Conservation Division
July 7, 1995
Page 2

The mineral ownership of the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11 is different from that of the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11.)

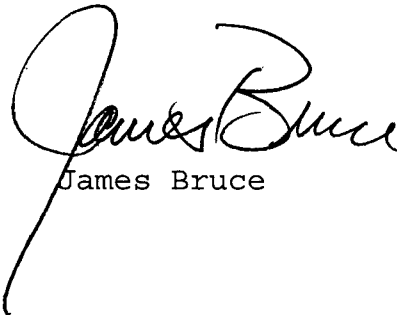
3. The current lessee of the proposed well unit is Lobo Production Co., which is in bankruptcy. Billco intends to purchase the lease and existing well on the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11 from the bankruptcy trustee, and then rework the well. If the well is not purchased by Billco, it will have to be plugged. Because of its marginal (stripper) capacity, Billco prefers to operate the well as its sole property.

As you noted in your letter, an E $\frac{1}{2}$ NW $\frac{1}{4}$ unit was initially formed by Lobo Production Co., and a compulsory pooling order was obtained for that unit. However, the compulsory pooling order lapsed, and due to financial problems, we understand that the well was never produced from the Gallup as an E $\frac{1}{2}$ NW $\frac{1}{4}$ unit.

In short, in order to bring a marginal well back on production, we request approval of the non-standard unit. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.



James Bruce

Enclosures
JB/sp

stgnb117.1tr

HINKLE, COX, EATON, COFFIELD & HENSLEY

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THOMAS E. HODD*
REBECCA NICHOLS JOHNSON

March 3, 1995

HAND DELIVERY

William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87501

Dear Mr. LeMay:

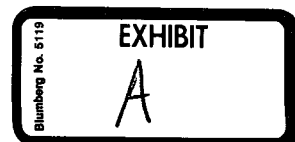
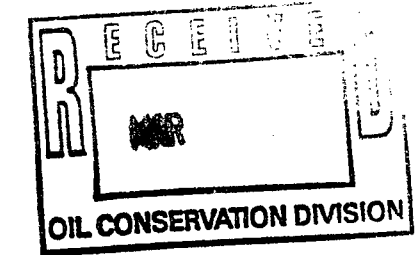
Pursuant to Rule 4 of Order No. R-1800, Billco Energy, Inc. hereby applies for administrative approval of a non-standard oil proration unit for the following well:

Mesa Kirtland 11-1 Well
1190 feet FNL and 1850 feet FWL
Section 11, Township 29 North, Range 15 West, NMPM
San Juan County, New Mexico

The well will be re-completed in the Cha Cha-Gallup Oil Pool, which is spaced on 80 acres. Applicant requests approval of a non-standard 40 acre unit comprising the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11.

The well unit is already within the limits of the Cha Cha-Gallup Oil Pool, and thus may reasonably be presumed to be productive of oil from said pool.

Also, pursuant to Division Rule 104(F)(1), applicant requests approval of an unorthodox location for the above well. Rule 3 of the special pool rules requires a well to be within 150 feet of the center of a quarter-quarter section. However, the well is being re-completed from an approved location in the Dakota formation, and thus administrative approval may be granted.



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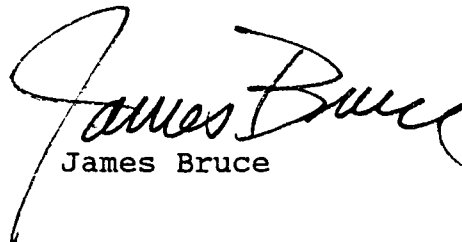
William J. LeMay, Director
March 3, 1995
Page 2

According to Division well files, and the records of the Bureau of Land Management and Commissioner of Public Lands, the only offset operators are S&I Oil Co. and Dugan Production Corp. In addition, the Commissioner of Public Lands is an unleased mineral interest owner in the S½SE¼ of Section 2, Township 29 North, Range 15 West. This information is current and correct. Notice of this application has been mailed by certified mail to all offset operators or lessees, as indicated by the letter attached hereto as Exhibit A.

Should you need any further information for this application, please contact me.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce

Attachments

JB/sp
lemay2.1tr

HINKLE, COX, EATON, COFFIELD & HENSLEY



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

March 7, 1995

Billco Energy, Inc.
c/o Hinkle, Cox, Eaton, Coffield & Hensley
Attn: James Bruce
P. O. Box 2068
Santa Fe, New Mexico 87504-2068

RE: *Administrative application for a 40-acre oil spacing and proration unit in the Cha-Cha Gallup Oil Pool comprising the NE/4 NW/4 (Unit C) of Section 11, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico, for the Mesa Kirtland "11" Well No. 1.*

Dear Mr. Bruce:

Please submit a land plat of the proposed non-standard oil proration unit showing the off-set operators. Also why is it that the original standard 80-acre unit comprising the E/2 NW/4 of said Section 11 can not continue to be this well's dedicated acreage? Do both the NW/4 NE/4 and SE/4 NW/4 of said Section 11 have the same royalty interest, if not have they been contacted?

Should you have any questions concerning this matter, please contact me at (505) 827-8185.

Sincerely,

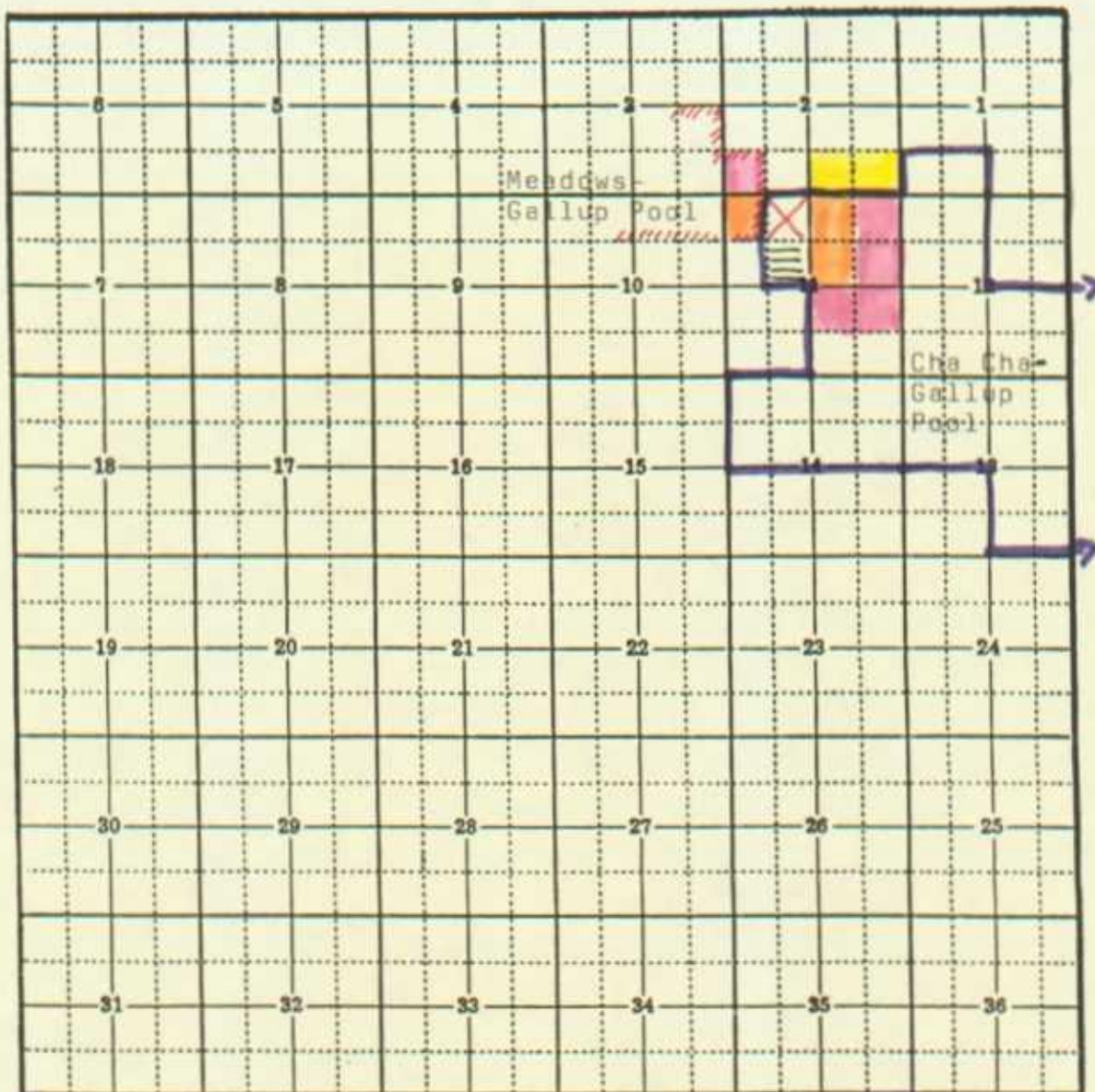
A handwritten signature in dark ink, appearing to read "Michael E. Stogner".

Michael E. Stogner
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Aztec
William J. LeMay, Director - OCD, Santa Fe



COUNTY: San Juan POOL: Cha Cha-Gallup
TOWNSHIP 29 North RANGE 15 West NMPM



Proposed Well Unit



Unleased State of New Mexico Land



Operator: Dugan Production Corporation



Operator: S&I Oil Company



Unleased Phillips Petroleum Company Land



BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

ADMINISTRATIVE APPLICATION OF BILLCO
ENERGY, INC. FOR A NON-STANDARD OIL
PRORATION UNIT, SAN JUAN COUNTY,
NEW MEXICO

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

JAMES BRUCE, being duly sworn upon his oath, deposes and
states:

1. I am over the age of 18 and have personal knowledge
of the matters stated herein.

2. I am an attorney for Applicant.

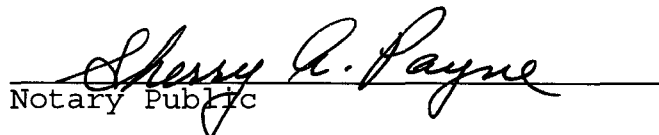
3. Applicant has conducted a good faith, diligent
effort to find the correct addresses of interest owners
entitled to receive notice of the Application herein.

4. Notice of the Application was provided to the
interest owners at their correct addresses by certified mail.
Copies of the notice letters are attached hereto.

5. Applicant has complied with Division notice
requirements.


JAMES BRUCE

SUBSCRIBED AND SWORN TO before me this 7th day of July,
1995 by JAMES BRUCE.


Notary Public

My Commission Expires:

12/16/97

billco7.aff



HINKLE, COX, EATON, COFFIELD & HENSLEY

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REBECCA NICHOLS JOHNSON

March 3, 1995

CERTIFIED MAIL

Return Receipt Requested

Dugan Production Corp.
Post Office Box 420
Farmington, New Mexico 87499

S&I Oil Co.
#286 U. S. Highway 64
Farmington, New Mexico 87401

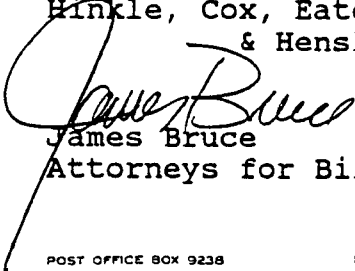
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Mesa Kirtland 11-1 Well
1190 FNL and 1850 FWL
Section 11, Township 29 North, Range 15 West, NMPM
San Juan County, New Mexico
Cha Cha - Gallup Oil Pool

Dear Sirs:

Billco Energy, Inc. has applied to the New Mexico Oil Conservation Division for a non-standard oil proration unit for the above well, comprised of the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11, and for an unorthodox oil well location. Records indicate you are an offsetting operator or unleased mineral interest owner. If you have any objection to the application, you must notify the Oil Conservation Division within thirty (30) days of the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87501.

Very truly yours,
Hinkle, Cox, Eaton, Coffield
& Hensley


James Bruce
Attorneys for Billco Energy, Inc.

JB/sp

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LAW OFFICES

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CERTIFIED

P 023 919 715

MAIL

S & I Oil Co.
#286 U. S. Highway 64
Farmington, New Mexico 87401

cc. S.I.

HINKLE, COX, EATON, COFFIELD & HENSLEY

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July 7, 1995

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Phillips Petroleum Company
5525 U.S. Hwy. 64
Farmington, New Mexico 87401

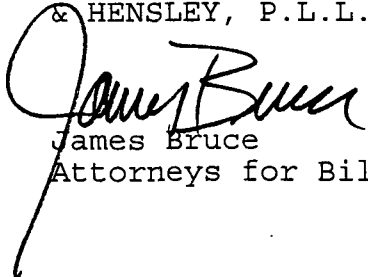
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Section 11, Township 29 North, Range 15 West, NMPM San Juan
County, New Mexico
Cha Cha - Gallup Oil Pool

Dear Sirs:

Billco Energy, Inc. has applied to the New Mexico Oil Conservation Division for a non-standard oil proration unit for the above well, comprised of the NE¼NW¼ of Section 11, and for an unorthodox oil well location. Records indicate you are the unleased mineral interest owner of the SE¼NW¼ of Section 11. If you have any objection to the application, you must notify the Oil Conservation Division within thirty (30) days of the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87501 (Attn: Michael E. Stogner).

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.


James Bruce

Attorneys for Billco Energy, Inc.

JB/sp
billco7.1tr

POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88202
(505) 622-6510
FAX (505) 623-9332

POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
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FAX (915) 683-6518

POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

POST OFFICE BOX 2043
ALBUQUERQUE, NEW MEXICO 87103
(505) 768-1500
FAX (505) 768-1529

401 W. 15TH STREET, SUITE 800
AUSTIN, TEXAS 78701
(512) 476-7137
FAX (512) 476-5431

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

03/07/95 11:08:47
OGOMES -EMEE
PAGE NO: 1

Sec : 11 Twp : 29N Rng : 15W Section Type : NORMAL

D 40.00 Fee owned A	C 40.00 Fee owned A	B 40.00 Federal owned A	A 40.00 Federal owned A
E 40.00 Fee owned	F 40.00 Fee owned	G 40.00 Federal owned	H 40.00 Federal owned A

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD :
OG6IWCM

ONGARD
INQUIRE WELL COMPLETIONS

03/07/95 11:15:49
OGOMES -EMEE

API Well No : 30 45 25440 Eff Date : 02-01-1983 WC Status : A
Pool Idn : 11880 CHA CHA GALLUP
OGRID Idn : 13440 LOBO PRODUCTION
Prop Idn : 5935 MESA KIRTLAND II

Well No : 001
GL Elevation: 99999

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
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B.H. Locn : C	11	29N	15W	FTG 1190 F N	FTG 1850 F W		P

Lot Identifier:
Dedicated Acre: 80.00
Lease Type : P
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

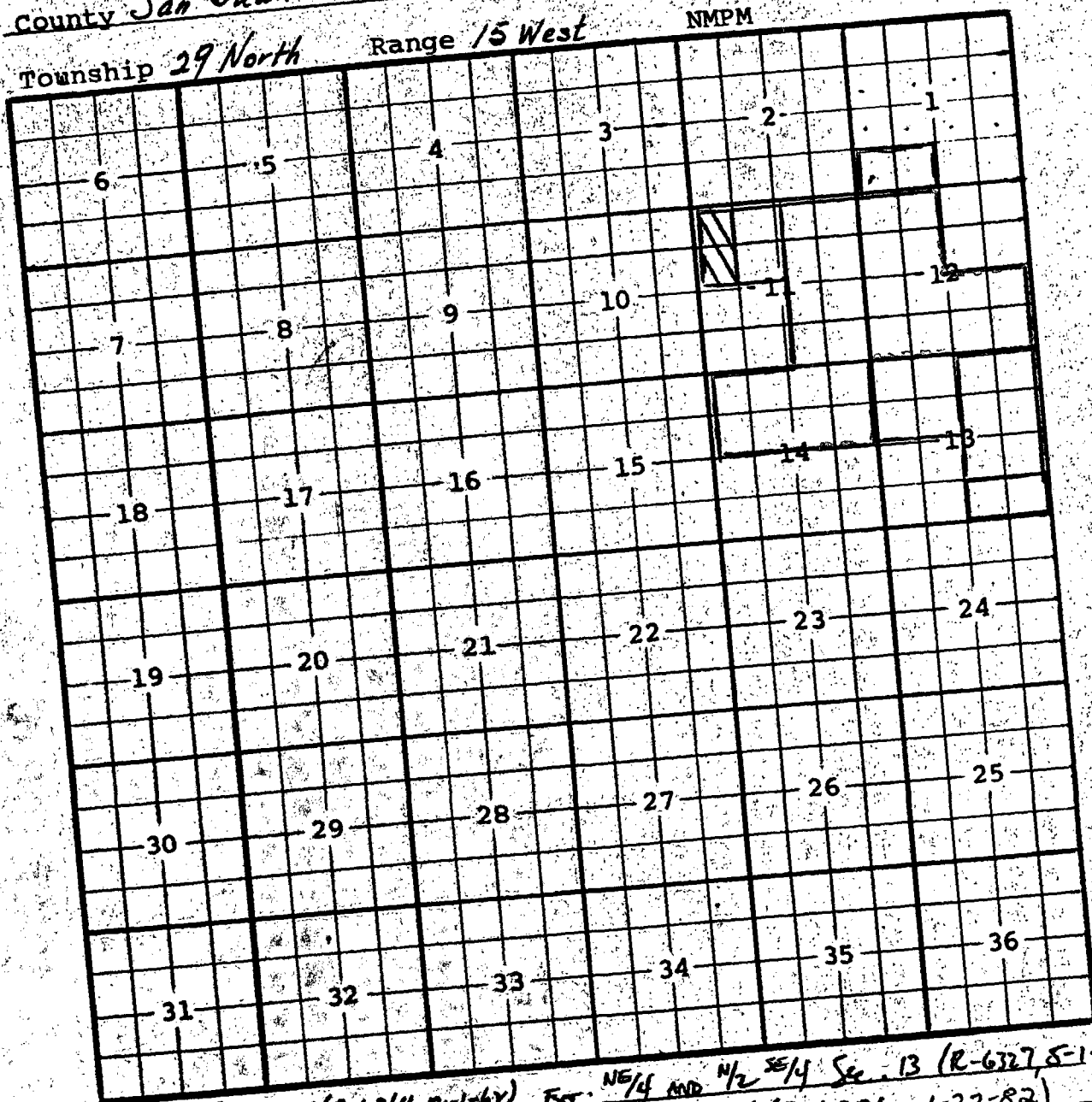
M0001:This is the last page

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC

County San Juan Pool Cha Cha - Gallup Oil

Township 29 North Range 15 West

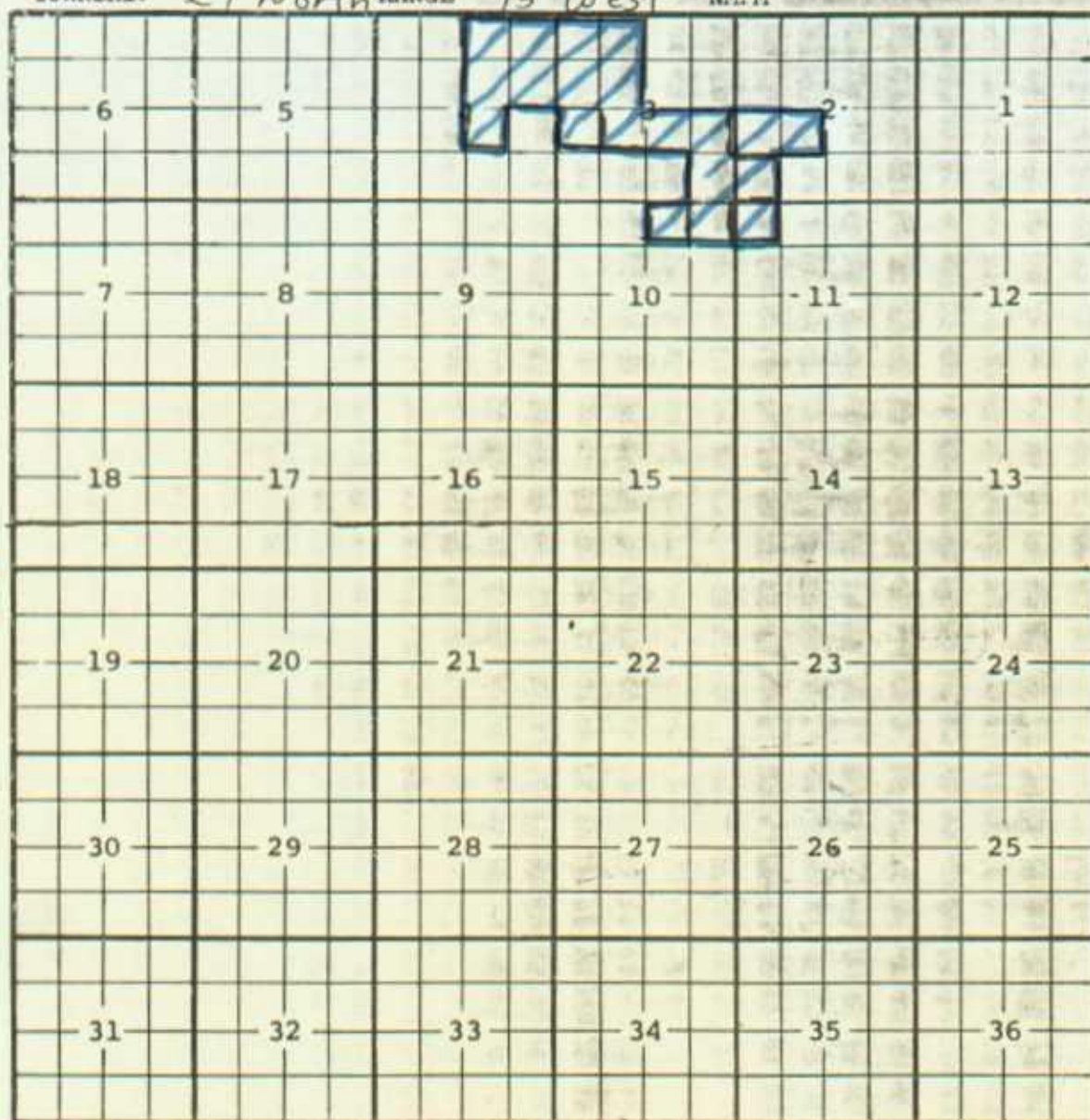
NMPM



Ext: $\frac{3}{4}$ Sec. 13 (R-4364, 1-1-67) Ext: $\frac{NE}{4}$ and $\frac{N}{2}$ $\frac{SE}{4}$ Sec. 13 (R-6327, 5-1-80)
Ext: $\frac{E}{2}$ sec 11, $\frac{N}{2}$ $\frac{SE}{4}$ sec 12, $\frac{N}{2}$ sec 14 (R-6886, 1-22-82)
Ext: $\frac{S}{2}$ $\frac{SW}{4}$ Sec. 1, $\frac{NW}{4}$ Sec. 13 (R-7046, 8-6-82)
Ext: $\frac{NW}{4}$ Sec. 11 (R-7272, 5-5-83) Delete $\frac{W}{4}$ $\frac{NW}{4}$ Sec. 11 (R-7420, 1-9-84)

COUNTY San Juan POOL Meadows-Gallup Oil

TOWNSHIP 29 North RANGE 15 West NMFM



Ext. $\frac{SW}{4} \frac{SW}{4}$ Sec. 2, $\frac{NW}{4} \frac{NE}{4} \frac{SW}{4}$, $\frac{N}{2} \frac{SE}{4}$, and $\frac{SE}{4} \frac{SE}{4}$ Sec. 3, $\frac{NE}{4}$ and $\frac{NW}{4} \frac{SE}{4}$ Sec. 4,
 $\frac{NE}{4} \frac{NE}{4}$ Sec. 10 (R-7046, 8-6-82) Ext. $\frac{N}{2} \frac{SW}{4}$ Sec. 2 (R-7420, 1-9-84)
Ext. $\frac{NW}{4} \frac{SW}{4}$ Sec. 3, $\frac{NW}{4} \frac{NE}{4}$ Sec. 10, $\frac{NW}{4} \frac{NW}{4}$ Sec. 11 (R-7495, 4-5-84)