

Copy Sent to A. Comulak
OIL CONSERVATION DIVISION
BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

90 MAR 9 AM 9 59

3/13/90

March 7, 1990

Oil Conservation Division
ATTN: Michael Stogner
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Non-Standard Location - State 2-2
Section 2 T23N R6W
Unit C - 1183' FNL x 1594' FWL
Counselors Gallup Dakota Pool
Rio Arriba County, New Mexico

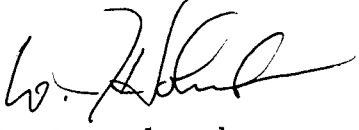
Non-Standard Location - State 2-4
Section 2 T23N R6W
Unit K - 1422' FSL x 1758' FWL
Counselors Gallup Dakota Pool
Rio Arriba County, New Mexico

Dear Mr. Stogner

This letter is presented to request approval for non-standard locations for the above referenced wells. The wells were staked at these locations due to archaeologic restrictions. The archaeology surveys were conducted on December 13 and 14, 1989, respectively. Please find enclosed Technical Reports Nos. 1766 and 1768 recommending clearance for the proposed well pads and access roads. Also enclosed are copies of certified letters to offset operators, C-102s and topo maps of the area.

Should you have any questions regarding this matter, please call William Holcomb at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely


W. J. Holcomb
Agent, Bannon Energy

WJH/ck

Enclosures

xc: Ernie Busch, Aztec OCD

BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

RETURN RECEIPT REQUESTED
P 117 123 797

March 7, 1990

Merrion Oil & Gas, Inc.
610 Reilly Avenue
Farmington, New Mexico 87401

Re: Non-Standard Location - State 2-2
Section 2 T23N R6W
Unit C - 1183' FNL x 1594' FWL
Counselors Gallup Dakota Pool
Rio Arriba County, New Mexico

Non-Standard Location - State 2-4
Section 2 T23N R6W
Unit K - 1422' FSL x 1758' FWL
Counselors Gallup Dakota Pool
Rio Arriba County, New Mexico

This letter is to notify you of Bannon Energy, Inc.'s request for approval of non-standard locations to drill the above referenced wells as stated above. The wells were staked at these locations due to archaelolgic constraints.

Should you have any questions regarding this matter, please call William Holcomb at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely

W. J. Holcomb ck

W. J. Holcomb
Agent, Bannon Energy

WJH:ck

OIL CONSERVATION DIVISION
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BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

RETURN RECEIPT REQUESTED
P 117 123 796

March 7, 1990

Dugan Production
P.O. Box 5820
Farmington, New Mexico 87499

Re: Non-Standard Location - State 2-2
Section 2 T23N R6W
Unit C - 1183' FNL x 1594' FWL
Counselors Gallup Dakota Pool
Rio Arriba County, New Mexico

Non-Standard Location - State 2-4
Section 2 T23N R6W
Unit K - 1422' FSL x 1758' FWL
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Rio Arriba County, New Mexico

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Should you have any questions regarding this matter, please call William Holcomb at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely

W. J. Holcomb

W. J. Holcomb
Agent, Bannon Energy

WJH:ck

OIL CONSERVATION DIVISION
RECEIVED
'90 MAR 9 AM 9 59



DIVISION OF CONSERVATION ARCHAEOLOGY

San Juan County
Museum Association

December 13, 1989

Mr. Bradley Salzman
Holcomb Oil and Gas
P.O. Box 2058
Farmington, New Mexico 87499

Dear Mr. Salzman:

Our report on the archaeological survey of the abandoned and proposed Bannon State 2-4 well pad and its associated access road/pipeline located near Counselor, Rio Arriba County, New Mexico is enclosed. Four isolated loci and three archaeological sites were found. The isolates are located on the proposed well pad and consist of lithics or ceramics. Site DCA-89-515 is a Navajo lithic and ceramic scatter located on the abandoned well pad. Site DCA-89-516 is a Navajo lithic and ceramic scatter located in the cultural buffer zone on the south side of the proposed well pad. Site DCA-89-517 is a lithic and ceramic scatter with historic trash located at the edge of the construction zone and in the cultural buffer zone on the north side of the proposed well pad.

Documentation of the isolates is considered sufficient to exhaust their research potential. Site DCA-89-515 is located on the abandoned well pad, is the reason the pad was abandoned, and will not be affected by proposed project activities. Site DCA-89-516 is located at the top of a steep hill overlooking the proposed well pad, in the cultural buffer zone, and should not be affected. Site DCA-89-517 is located at the edge of the construction zone on the north side of the proposed well pad. The site is separated from the well pad by a drainage arroyo. Proposed construction activities should terminate at the arroyo and, thus, site DCA-89-517 should not be affected. Although sites DCA-89-516 and DCA-89-517 are within 100 ft of the proposed project, their location on slopes overlooking or adjacent to the level drainage bottomlands of the proposed well pad should prevent any impacts from proposed project activities. The proposed project could not be further moved to allow additional area between the sites and the project activities. Archaeological clearance is recommended for the proposed Bannon State 2-4 well pad and access road.

90 MAR 9 AM 9 59
OIL CONSERVATION DIVISION
RECEIVED

December 13, 1989

The New Mexico Historic Preservation Division will review this report and make the final decision on archaeological clearance for your project.

An invoice for our services has been sent directly to Bannon Energy, Inc. in Texas. Please contact us if you have any questions concerning the report or invoice.

Sincerely,

Patricia Walker Buchanan

Patricia Walker-Buchanan
Supervisory Archaeologist

cc: Tom Merlan, NMHPD, Santa Fe
A.R. Gomolak, State Land Office, Santa Fe

PROJECT DESCRIPTION

Abandoned and Proposed Bannon State 2-4 Well Pad and its Associated Access Road/Pipeline (Figures 1 and 2)

Legal Description:

T23N, R6W, Section 2*, 825' F/SL, 1815' F/WL (abandoned well pad)

SE $\frac{1}{4}$ SW $\frac{1}{4}$ " " "

1422' F/SL, 1758' F/WL (proposed well pad)

S $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ " " "

N $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ " " "

SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ (access road/pipeline)

N.M.P.M., Rio Arriba County, New Mexico

*template anchored on southwest corner and west line

Map Source: U.S.G.S. 7.5' Tafoya Canyon, New Mexico - 1963

U.S.G.S. 7.5' Counselor, New Mexico - 1966

Land Jurisdiction: State of New Mexico

Project Area: 400' x 400' (proposed well pad and construction zone)

600' x 50' (proposed access road/pipeline)

600' x 600' (abandoned area)

Surveyed Area: 600' x 600' (proposed well pad and construction zone with buffer)

600' x 150' (proposed access road/pipeline with buffer)

600' x 600' (abandoned area)

18.59 Acres

Description: The proposed project is located on a terrace below a mesa slope and above the bottomlands of a drainage tributary of Escrito Canyon. The tributary is to the west of the project area and drains to the north to its confluence with the main northeast-draining arroyo of Escrito Canyon. Escrito Canyon eventually joins the Cañon Largo drainage system. Canyons walls and mesa slopes are visible in all directions with a steep mesa located along the eastern side of the project. The proposed well pad is situated in the shallow basin of a short tributary drainage. The abandoned well pad is to the south on a hilly terrace outcrop. The pad was abandoned because of the presence of an archaeological site within the well pad and its construction zone. Thus, the proposed well pad was moved to its present location in the drainage bottomlands north of the abandoned location. Soils consist of sand and sandy clayey loams in the drainage basin and clay loams overlying shale along the terrace hills. Sandstone outcrops, boulders, and small gravels are present. The terrace is highly eroded and slopes to the northwest. Vegetation covers about 30% of the area. Sagebrush (Artemisia tridentata) is dominant along the drainage bottomlands,

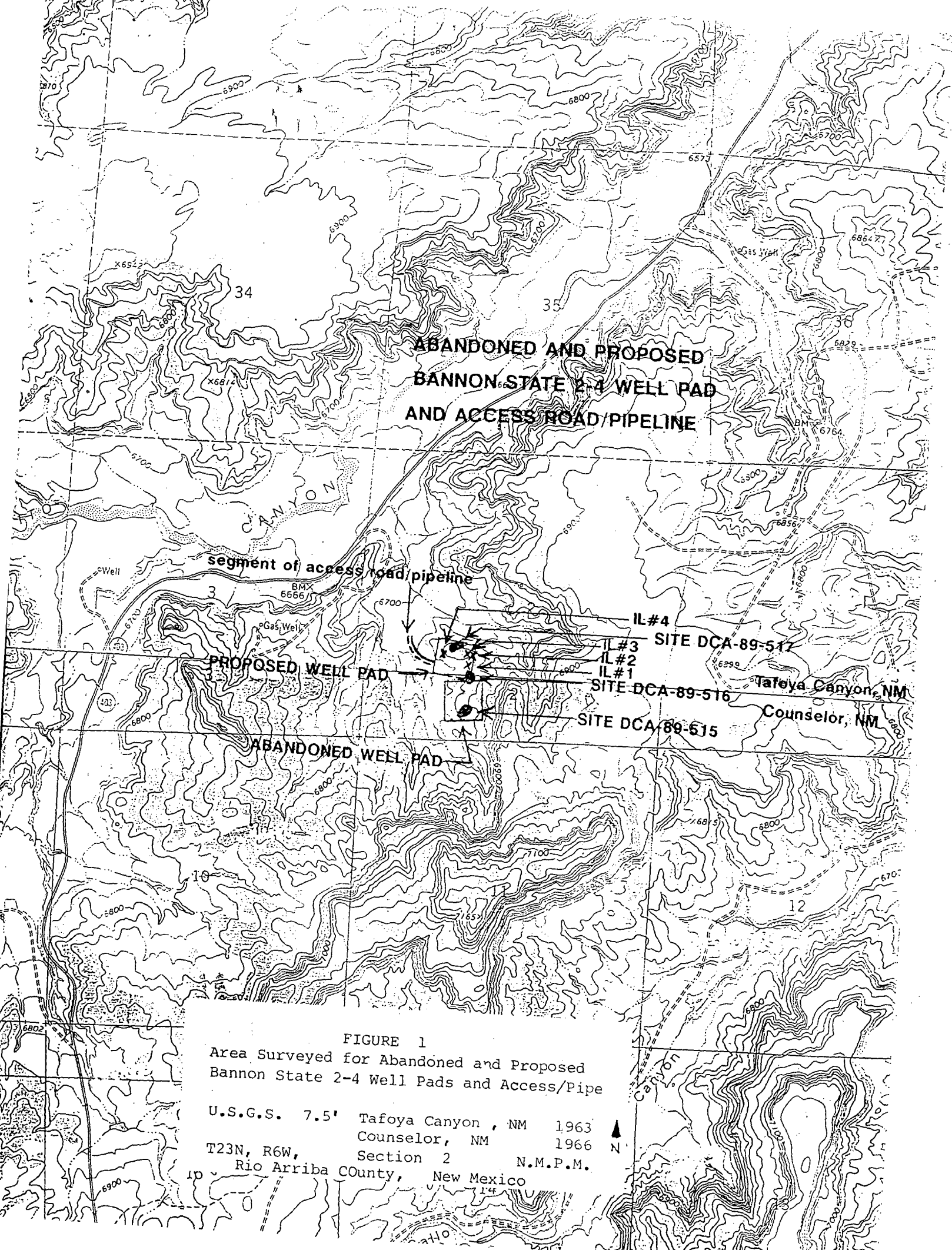


FIGURE 1
Area Surveyed for Abandoned and Proposed
Bannon State 2-4 Well Pads and Access/Pipe

U.S.G.S. 7.5' Tafoya Canyon, NM 1963
Counselor, NM 1966
Section 2 N.M.P.M.
T23N, R6W,
Rio Arriba County, New Mexico

and piñon pine (Pinus edulis) and juniper (Juniperus sp.) dominate the terrace and mesa slopes. Understory consists of gambel oak (Quercus gambelii), bitterbrush (Purshia tridentata), serviceberry (Amelanchier sp.), yucca (Yucca sp.), cactus (Opuntia sp.), some sunflowers (Helianthus sp.), and isolated patches of grass including blue grama (Bouteloua gracilis) and brome (Bromus sp.). Ground level is 6750 ft above sea level.

The proposed access road/pipeline is about 600 ft long and will extend from the proposed Bannon State 2-3 well pad in a southeasterly direction along the arroyo to the proposed Bannon State 2-4 well pad.

Cultural Resources: Three archaeological sites (DCA-89-515, DCA-89-516, and DCA-89-517) and four isolated loci were encountered during survey of the project areas. The isolates consist of lithics or ceramics and are located on the proposed well pad. Site DCA-89-515 is a Navajo lithic and ceramic scatter located on the abandoned well pad. Site DCA-89-516 is a Navajo lithic and ceramic scatter located in the cultural buffer zone on a hill overlooking the proposed well pad. DCA-89-517 is a lithic and ceramic scatter with historic trash located at the edge of the construction zone and in the cultural buffer zone on the north side of the proposed well pad.

IL #1 consists of a single lithic reduction flake. The flake is a secondary flake of white chert measuring 1.9 x 0.6 x 0.4 cm. It is located along a shallow wash at the base of a shale and sandstone terrace slope. IL #2 consists of a tertiary stage lithic reduction flake. The flake measures 1.7 x 1.9 x 0.1 cm and is white chert. It is located along the level drainage bottomlands. IL #3 consists of an obsidian tool. The tool is a unifacially worked and utilized primary flake measuring 3.0 x 3.0 x 1.4 cm. It is located along the side of an arroyo on the north side of the drainage bottomlands. IL #4 consists of two ceramic sherds. Both are Navajo Dinetah graywares located on the level drainage bottomlands. They measure 3.4 x 2.7 x 0.4 and 2.2 x 1.4 x 0.4 cm. The isolates are further detailed in Table 1.

Site DCA-89-515 (Figure 3)

DCA-89-515 is a Navajo habitation site represented by a lithic and ceramic scatter with fire hearths and charcoal/ash soil stains. The site covers an area of 55 x 40 m and is located on a highly eroded and hilly terrace overlooking a tributary of Escrito Canyon to the west. The artifacts appear to be clustered in two concentrations both containing lithic reduction flakes, ceramic sherds, and soil stains.

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

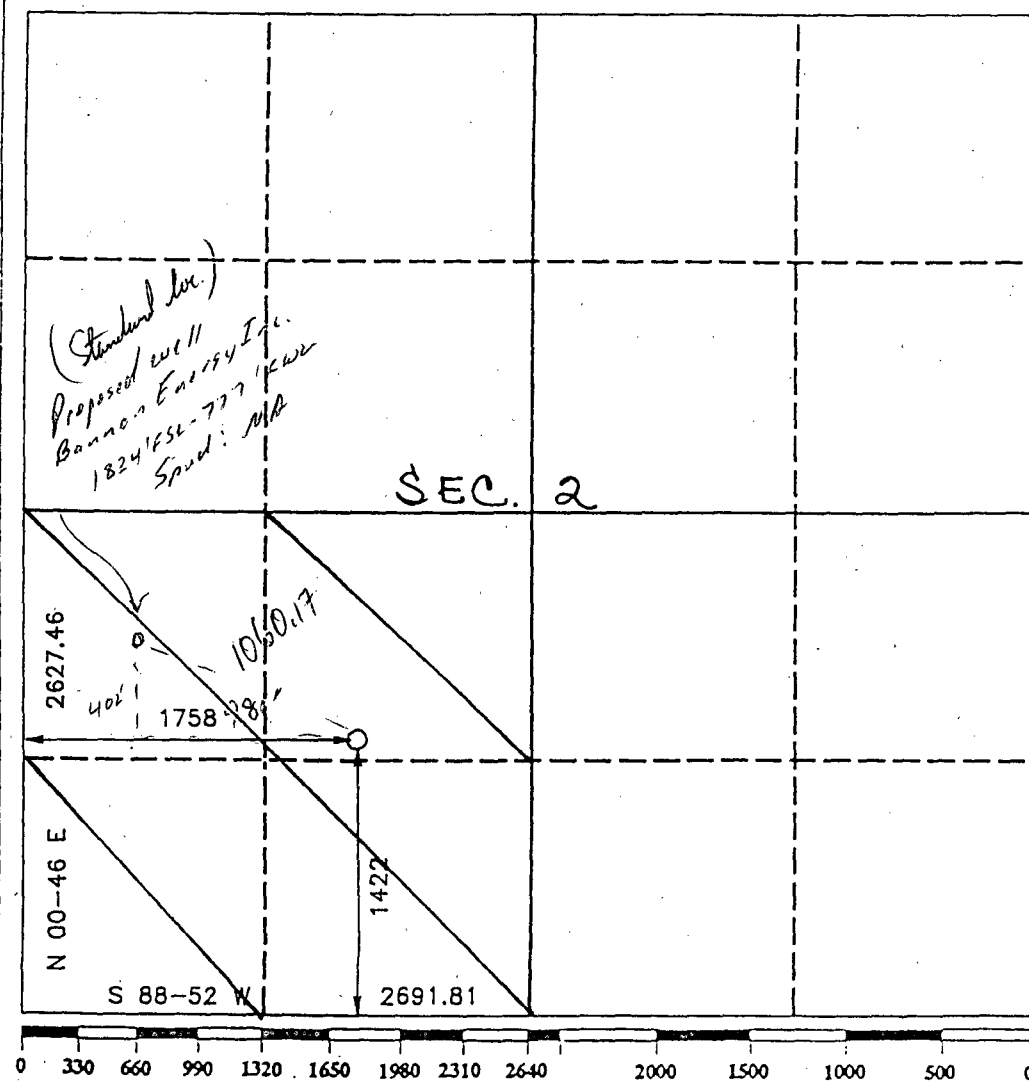
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator BANNON ENERGY, INC.		Lease STATE 2		Well No. 4	
Unit Letter K	Section 2	Township T.23 N.	Range R.6 W.	County RIO ARRIBA	
Actual Footage Location of Well: 1422 feet from the SOUTH line and 1758 feet from the WEST line					
Ground level Elev. 6753	Producing Formation Gallup		Pool Counselors Dakota		Dedicated Acreage: 160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communization, unitization, force-pooling, etc?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
No allowable will be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

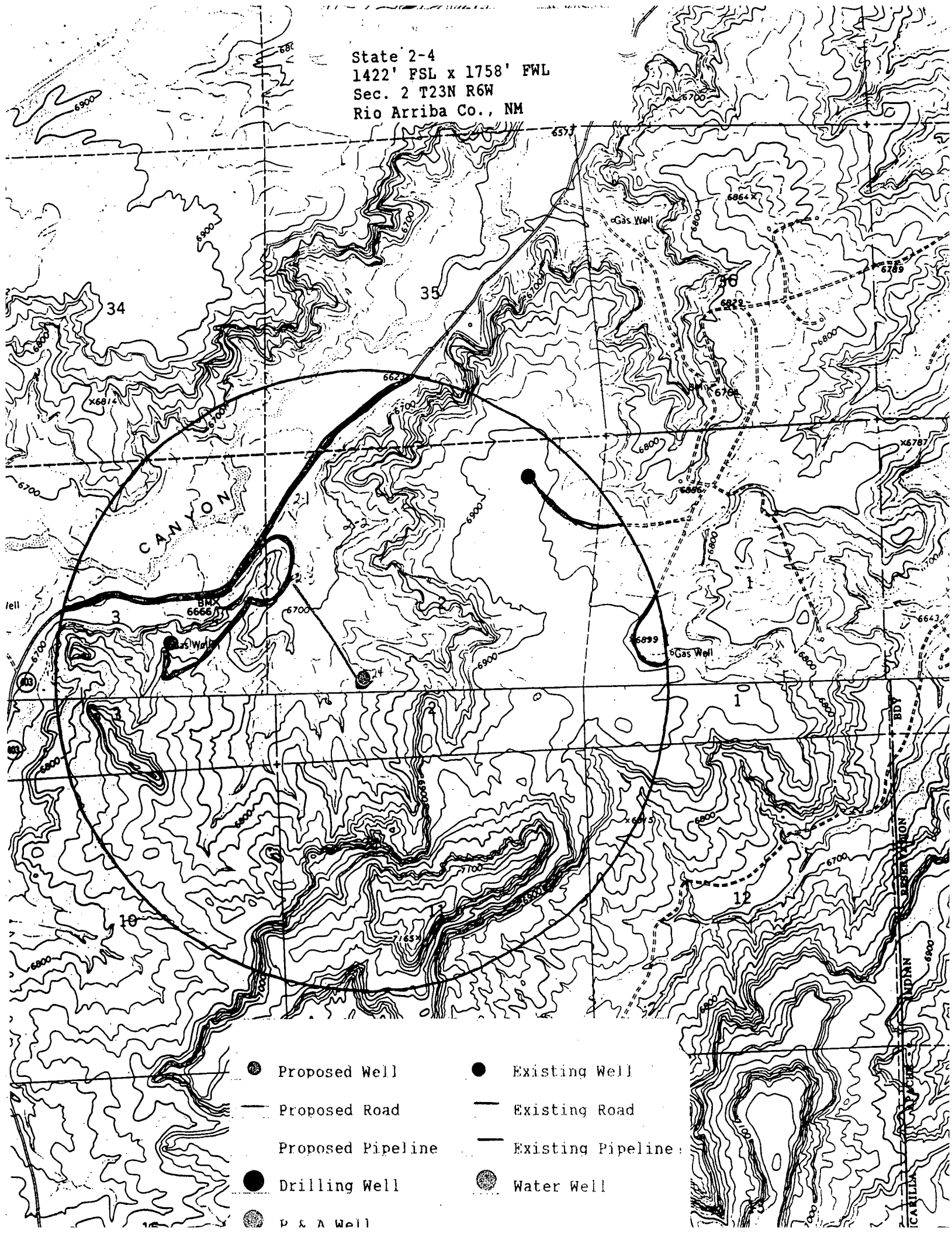
Signature
W. J. Holcomb
Printed Name
W. J. Holcomb
Position
Agent
Company
Bannon Energy, Inc.
Date
11-20-89

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
NOV 19 1989
Signature & Seal of Professional Surveyor
R. HOWARD DAGGER
Certificate No.
6679
Registered Professional Land Surveyor

State 2-4
 1422' FSL x 1758' FWL
 Sec. 2 T23N R6W
 Rio Arriba Co., NM



- | | |
|---------------------|---------------------|
| ● Proposed Well | ● Existing Well |
| — Proposed Road | — Existing Road |
| — Proposed Pipeline | — Existing Pipeline |
| ● Drilling Well | ● Water Well |
| ● P & A Well | |

COUNSELORS GALLUP-DAKOTA POOL
(Formerly Counselors-Gallup Pool)
Rio Arriba County, New Mexico

Order No. R-7034, Creating and Adopting Temporary Operating Rules for the Counselors-Gallup Pool, Rio Arriba County, New Mexico, August 1, 1982, as Amended by Order No. R-7034-A, May 1, 1984.

Application of Merrion Oil & Gas Corp. for Pool Creation and Special Pool Rules, Rio Arriba County, New Mexico.

CASE NO. 7619
Order No. R-7034

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 9 a.m. on July 7, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of July, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Merrion Oil and Gas Corp., seeks the creation of a new Gallup Pool to comprise Sections 3, 4, 8, 9, 10, 14, and 15, Township 23 North, Range 6 West, and the promulgation of special rules therefor including 160-acre spacing for oil and gas, Rio Arriba County, New Mexico.

(3) That the applicant is the operator of several wells within the proposed new Gallup pool.

(4) That the evidence presented established that the proposed pool is an oil pool.

(5) That the proposed Gallup oil pool was discovered by the Southern Union Exploration Company Yarrowbrough Well No. 1 located in Unit J of Section 3, Township 23 North, Range 6 West, originally completed in the Gallup formation January 11, 1958, through perforations from 5540 to 5585.

(6) That all of the Gallup oil wells within the proposed pool and within most of the Gallup oil pools in the general area are located as if 160-acre spacing units currently prevailed rather than the existing 40-acre spacing.

(7) That economic evidence presented relative to said wells showed that the average well in the general area expected to be completed in the proposed pool may be expected to be marginally profitable on 160-acre spacing.

(8) That there is insufficient engineering or geological evidence currently available upon which to base a finding that a well in the proposed pool will drain 160 acres.

(9) That creation of a new Gallup oil pool with temporary special pool rules providing for 160-acre proration units will permit operators to gather the engineering and geological data upon which to base such a determination while preventing the drilling of potentially unnecessary wells.

(10) That a new pool for Gallup oil production should be created, as requested by the applicant, to be designated as the Counselors-Gallup Oil Pool.

(11) That temporary special pool rules should be adopted for said Counselors-Gallup Oil Pool including provisions for 160-acre spacing and proration units.

(12) That this case should be reopened at an examiner hearing during August, 1985, at which time operators in said pool should appear and show cause why said pool should not be developed on spacing and proration units of less than 160 acres.

IT IS THEREFORE ORDERED:

(1) That a new pool for Gallup oil production is hereby created in Rio Arriba County, New Mexico, to be designated the Counselors-Gallup Oil Pool with vertical limits consisting of the Gallup formation and horizontal limits comprising the following described area:

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM
Sections 3 and 4: All
Sections 8 through 10: All
Sections 14 and 15: All

(2) That the following temporary special pool rules are hereby adopted for said Counselors-Gallup Oil Pool:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
COUNSELORS-GALLUP OIL POOL**

RULE 1. (As Amended by Order No. R-7034-A, May 1, 1984.) Each well completed or recompleted in the Counselors Gallup-Dakota Oil Pool or in the Gallup-Dakota formation within one mile thereof and not nearer to or within the limits of another designated Gallup-Dakota oil pool shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

(COUNSELORS-GALLUP POOL - Cont'd.)

RULE 2. Each well shall be located on a standard unit containing 160 acres more or less substantially in the form of a square which is a quarter section being a legal subdivision of the United States' Public Land Surveys.

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size of shape of the tract is due to a variation in the legal subdivision of the United States' Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre depth bracket allowable in accordance with the statewide rules and in the event there is more than one well on a 160-acre proration unit the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

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 160 acres.

RULE 7. A limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil is established for the pool.

IT IS FURTHER ORDERED:

(1) That the location of all wells presently drilling to or completed in the Counselors-Gallup Oil Pool shall be approved; the operator of any well having an unorthodox location shall notify the Aztec Office of the Division in writing of the name and location of the well on or before October 1, 1982.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978 Comp., existing wells in the Counselors-Gallup Oil Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Counselors-Gallup Oil Pool or in the Gallup formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing during the month of August, 1985, at which time the operators in the Counselors-Gallup Oil Pool may appear and show cause why said pool should not be developed on less than 160-acre spacing with a depth bracket allowable in accordance with the statewide rules.

(4) That the effective date of this order and the pool creation and special rules contained herein shall be August 1, 1982.

(5) 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.

LARGO-GALLUP GAS POOL
Rio Arriba County, New Mexico

Order No. R-2462, Creating and Adopting Temporary Operating Rules for the Largo-Gallup Gas Pool, Rio Arriba County, New Mexico, April 5, 1963, as Amended by Order No. R-2462-A, September 1, 1963.

Application of Compass Exploration, Inc., for
the Creation of a Gallup Gas Pool, Rio Arriba
County, New Mexico.

CASE NO. 2761
Order No. R-2462

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. on March 20, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 5th day of April, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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.



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

GARREY CARRUTHERS
GOVERNOR

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

March 30, 1990

Bannon Energy Incorporated
c/o Holcomb Oil and Gas
P.O. Box 2058
Farmington, NM 87499

Attention: W.J. Holcomb
Operating Agent

RE: Application for unorthodox oil well locations; State "2" Well Nos. 2 and 4, Units C and K, respectively, Section 2, Township 23 North, Range 6 West, Counselors Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico.

Dear Mr. Holcomb:

Please provide me a copy of the archeological clearance report from the New Mexico Historical Preservation Division on both sites when available. Also, please submit all applicable information required by Division Memorandum No. 1-90, see attached.

Should you have any questions, please contact me.

Sincerely,

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

Michael E. Stogner
Petroleum Engineer

MES/ag

cc: Oil Conservation Division - Aztec
State Land Office - Santa Fe, Oil & Gas Division
State Land Office - Santa Fe, Attn: A. R. Gomolak



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

GARREY CARRUTHERS
GOVERNOR

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

No. 1-90

MEMORANDUM

TO: All Operators
FROM: William J. LeMay, Director *WJL*
SUBJECT: Administrative Applications for Unorthodox Locations
DATE: March 21, 1990

Division Memorandum No. 3-89, dated March 24, 1989, advised the industry that the OCD would no longer automatically approve unopposed unorthodox location applications. Unorthodox locations can be approved administratively in accordance with the Rules and Regulations or applicable special pool rules if surface conditions truly prevent the use of a legal location and if directional drilling to a legal location is not feasible.

Topographic conditions which will be considered to justify an unorthodox location include such traditional factors as terrain features (steep slopes, arroyos, etc.) which make drilling impractical. In addition, approval may be given to avoid archeological sites which may not be disturbed without substantial mitigation, incompatible surface uses such as buildings, recreation areas, etc. Applications should fully document the reason an unorthodox location is required.

The attached guidelines state the minimum information which should be submitted with applications for administrative approval of unorthodox locations. Failure to provide the necessary information will probably result in processing delays.

If the surface of the proration unit or proposed drill site is controlled by a Federal Surface Management Agency, a copy of the application must be sent to the appropriate agency office.

If there are legal locations within the proration unit which are drillable, but the operator chooses not to drill those locations for geological reasons the application cannot be approved administratively and a hearing will be required.

NEW MEXICO OIL CONSERVATION DIVISION

SUBMITTAL GUIDELINES FOR ADMINISTRATIVE APPROVAL OF NON-STANDARD LOCATION APPLICATIONS

- I. If the well is located on Federal or Indian Lands, the Federal Surface Management Agency must be notified and an on-site inspection conducted prior to filing the application. If an Application for Permit to drill or a Notice of Staking has been prepared, a copy must be submitted.
- II. Completed C-102 showing the well location, proration unit, leases within the unit and other required information.
- III. Land plat showing offset operators and working interest owners and any offsetting wells producing from the same pool or formation.
 - A. This information may be shown on the topo map if it does not impair the readability of the map.
 - B. The operator should certify that the information is current and correct.
- IV. Original or clear copy of topographic map, preferably 7.5 minute quad, showing contours and other mapped features impacting the location, with the following information marked thereon (In order to be able to adequately show all of the necessary surface conditions it may be necessary to enlarge the relevant portion of the topo map to provide room for detail):
 - A. The proposed well location and proration unit;
 - B. An outline of the orthodox drilling windows as provided in the applicable rules for the subject application;
 - C. The location of any wells to any formation within the area of the proration unit and a statement as to whether an existing pad can be used to drill the proposed well;
- V. An enlargement of the topo map showing the subject area with the applicable additional information:
 - A. Terrain features not shown on the map which make an orthodox location unusable;
 - B. Proposed access roads and pipelines if they affect the location selection;
 - C. The location of any surface uses which prevent use of a legal location;

- D. The location of any archeological sites identified in the archeological survey;
- E. The location and nature of any other surface conditions which prevent the use of an orthodox location.
- VI. If archeological sites are a reason for the unorthodox location request, a copy of the archeological survey, or a summary, identifying sites which cannot be disturbed or which must have any disturbance mitigated. In addition, the location of such areas should be marked on the enlarged topo so they can be clearly identified.
- VII. A narrative report of any on-site inspection of the potential locations. If such on-site has resulted in elimination of legal locations due to surface conditions, such information should also be noted on the enlarged topo.
- VIII. A statement of why directional drilling to reach a legal bottom-hole location is not feasible.
- IX. An affidavit that notice has been sent to all parties entitled thereto, under the Divisions Rules and Regulations with return receipt cards showing date of receipt of notice.

HOLCOMB OIL AND GAS

P. O. Box 2058 • Phone: (505) 326-0550 • Farmington, New Mexico 87499

'90 APR 25 AM 9 15

April 19, 1990

Oil Conservation Division
ATTN: Michael Stogner
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Non-Standard Location - State "2" Nos. 2 & 4
Section 2 T23N R6W
Unit C & K, respectively
Counselors Gallup Dakota Pool
Rio Arriba County, New Mexico

Non-Standard Location - State "16" Nos. 5 & 6
Section 16 T23N R6W
Units J & P, Respectively
Counselors Gallup Dakota Oil Pool
Rio Arriba County, New Mexico

Dear Mr. Stogner

Please reference our previous correspondence ending with your letter of March 19, 1990. Attached please find a copy of the clearances/reviews by the State Historic Preservation Officer, Thomas W. Merlan. Other requests contained in your letter of March 19, 1990 have been previously submitted by our letters of March 7 and March 16, 1990 in compliance with Division Memorandum 1-90.

It is apparent from the continued correspondence that a system to properly accommodate unorthodox locations due to archaeological constraints has not been developed which could allow for a more timely resolution to these issues.

Perhaps a meeting should be planned to develop such a system and end the confusion.

Sincerely,


W. J. Holcomb
Agent, Bannon Energy

WJH/ck

xc: Ernie Busch - Aztec
Bannon Energy, Inc. - Houston



STATE OF NEW MEXICO
OFFICE OF CULTURAL AFFAIRS
HISTORIC PRESERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

VILLA RIVERA, ROOM 101
228 EAST PALACE AVENUE
SANTA FE, NEW MEXICO 87503
(505) 827-8320

HELMUTH J. NAUMER
CULTURAL AFFAIRS OFFICER

THOMAS W. MERLAN
DIRECTOR

April 13, 1990

Bradley Salzman
Holcomb Oil and Gas
P.O. Box 2058
Farmington, New Mexico 87499

Dear Mr. Salzman:

I have recently reviewed the archaeological survey reports for proposed well pads Bannon State 2-2 (DCA Report No. 1768), Bannon State 2-4 (DCA Report 1766), Bannon State 16-5 (DCA Report No. 1748) and Bannon State 16-6 (DCA Report No. 1749).

Sites DCA-89-502, DCA-89-515, DCA-89-506, and DCA-89-504 were identified on the original well pad locations. I agree that the well pads must be relocated to avoid the adverse effects that construction may have on significant archaeological resources on State Trust lands.

It is my opinion that the construction of the alternate well pad locations will have no effect on significant cultural resources. I will report my findings to the State Land Office.

Thank you for helping us to protect New Mexico's cultural resources.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tom W. Merlan", written over a horizontal line.

Thomas W. Merlan
State Historic Preservation Officer

TWM/JMO

cc: A.R. Gomolak, Field Division SLO



STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
RECEIVED
AZTEC DISTRICT OFFICE

1000 THE DIAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6170

ARREY CARRUTHERS,
GOVERNOR

90 MAR 16 AM 9 07

Date: 3-15-90

WTN: Mike Stogner

Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

Re: Proposed MC _____
Proposed DHC _____
Proposed NSL X _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____

Gentlemen:

I have examined the application dated 3-8-90
for the Barnes Energy Inc. State 2 H 4
Operator Lease & Well No.

K-2-23N-600 and my recommendations are as follows:
Unit, S-T-R

Approve

Yours truly,

Ernie Busch