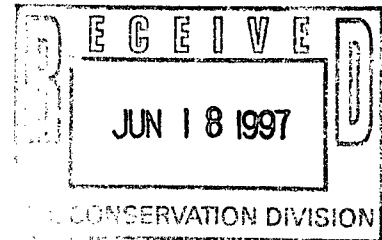


NASSAU

NSL 7/8/97
Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222-1894
(303) 321-2111 FAX (303) 321-1563



June 12, 1997

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

Attention: Mr. Michael E. Stogner
Chief Hearing Examiner/Engineer

Re: ~~Application for Unorthodox Location~~
Nassau Resources, Inc.
Carracas Canyon Unit PC 22B #14
~~254' FSL - 2202' FWL~~
Section 22, T32N R04W, NMPM
Rio Arriba County, NM

Dear Mr. Stogner:

Nassau Resources, Inc. hereby requests administrative approval of an unorthodox location for the captioned well.

This well had previously been approved on Administrative Order NSL-3257, dated June 9, 1993 at a location of 620' FSL - 2055' FWL.

Since the 1993 approval, the approved location was re-evaluated by the United States Forest Service and Nassau was asked to withdraw the location from consideration for drilling. Nassau has complied with the USFS request and the Application for Permit to Drill was withdrawn.

Nassau recently requested the USFS accompany Nassau into the SE SW Section 22, T32N R04W and together find a location that would be acceptable to the USFS. This location was staked and surveyed and is the location requested above. The required Spotted Owl surveys and archeological surveys have been completed and the location has been submitted to the BLM on an Application for Permit to Drill. It is Nassau's opinion this location will be drilled.

Application for approval of unorthodox location
Carracas Unit PC 22B #14
SE SW Section 22, T32N R04W
Rio Arriba County, NM

Attached is a copy of a letter sent to you addressing unorthodox locations in the Carracas Unit in general, and a location in this area in particular. The reasons for drilling in the SE SW Section 22 are addressed.

All interest owners, as shown on the attached lease plat, have been notified of this application by certified mail. The only offset operator, McHugh Companies, is an operating affiliate of Nassau Resources, Inc.

Please contact Nassau Resources, Inc. if you require any further data to approve this application.

Sincerely,

A handwritten signature in cursive script, reading "Gary J. Johnson". The signature is written in dark ink and is positioned above the typed name and title.

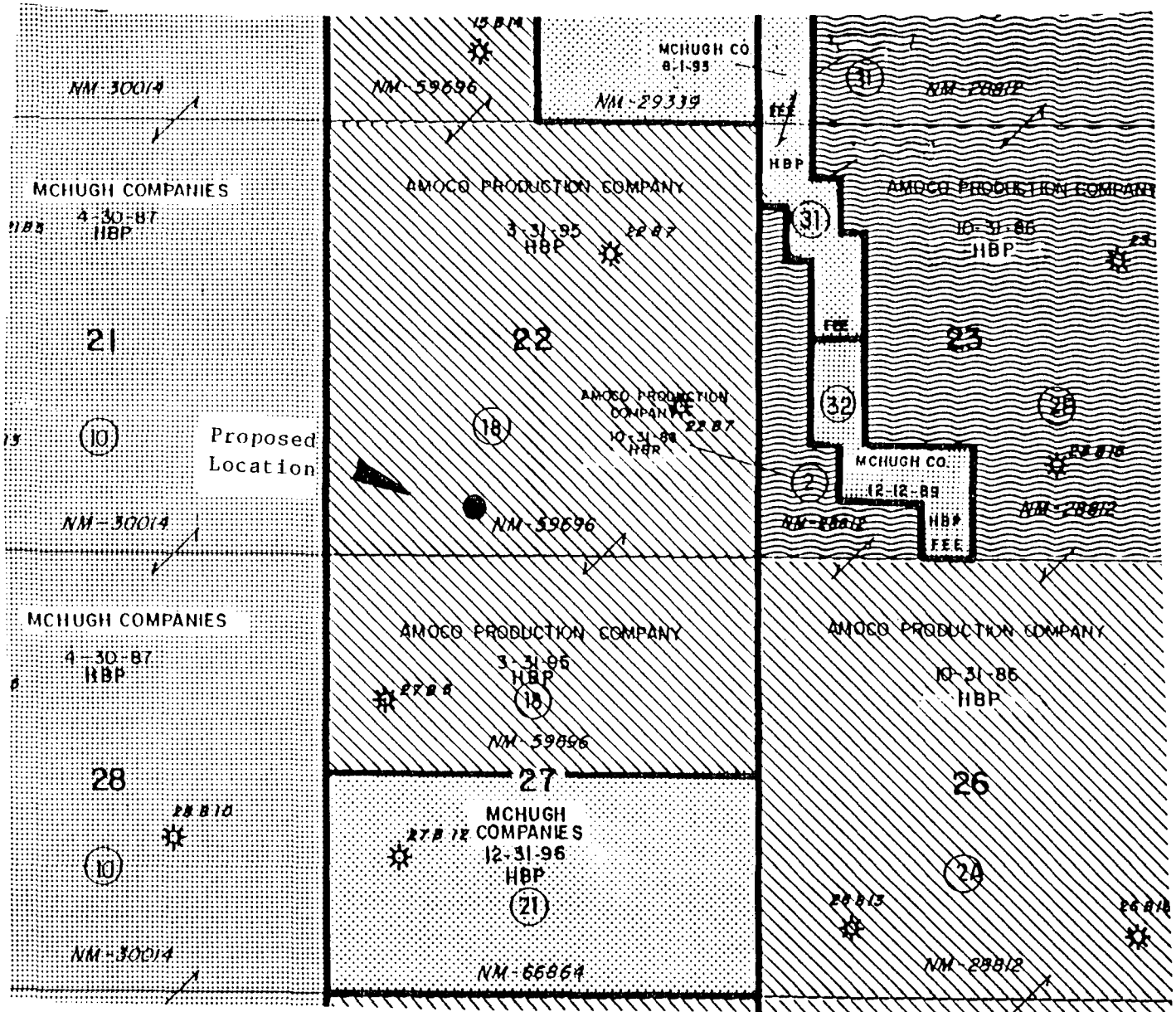
Gary J. Johnson
Engineering Manager

Attachments

cc: Ernie Busch, NMOCD, Aztec, NM
Amoco Production Company
McHugh Companies

Certificate Number 5979

LEASE PLAT



NM 59696		
Amoco Production Co.	25%	
McHugh Companies	75%	
NM 30014		
McHugh Companies	100%	

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location

9

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COUNTY

Phillips
Nassau

Nassau

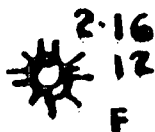
Carracas Uni

McHough

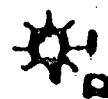
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CU 15 B #14



Carracus Unit 16 B
Sanduan 32-4 Unit

Carracas Ut. 15 B

C. Un
Carracus Me

Nassau

21

22

23

CU-PC #201

CU FR #105

CU-PC #202

Proposed
CU-PC 22 B #14

Carracus 21 B

Nassau

Nassau

Nassau

CU-PC #203

28

27

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T32N
R04W

CU 27 B #12

Proposed
CU-PC
27 B #8

Proposed
CU-PC
27 B #15

Carracas 28 B

Nassau

Carracus 27

Nassau

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Nonstandard Loc.

NASSAU

Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222-1894
(303) 321-2111 FAX (303) 321-1563

14 April 1993

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Post Office Box 2088
State Land Office Building
Santa Fe, New Mexico 87504

Attention: Mr. Michael E. Stogner
Chief Hearing Examiner/Engineer

Dear Mr. Stogner:

Your letter of March 17, 1993 concerning unorthodox locations for Fruitland Coal wells has been forwarded to me for reply.

I will answer your inquiry in general first, and then address specific well locations.

When drilling in the Carracas Unit was begun in 1987, the impact of drilling on this part of the Carson Forest was an unknown. To minimize the impact on wildlife as much as possible, Nassau Resources and the US Forest Service implemented a plan to keep road building to a minimum by locating wells as close as possible to existing roads. When new roads were to be built, the new road was to service as many wells as possible. This necessitated moving some well locations so they could be drilled along the proposed road right-of-way. This procedure allowed more well locations to be controlled with a single locked gate at the existing roads. The aim here was to keep all traffic except routine well servicing in areas where it had been historically and to avoid any looping or circular roads.

To lessen impact on calving and fawning areas, well locations were spotted so larger areas would remain roadless. This often involved spotting wells on the same side of a section so a full half section would be left without impact. (An example of this would be drilling two wells in the west half of Section 6 and two wells in the east half of Section 5 so nearly a full square mile would not be impacted.) To implement this reduction of impact, wells had to be moved from one of the standard locations in each Section.

Another consideration of the plan was to keep road cuts and fills to a minimum and to minimize impact on cultural (archeological) concerns. This often dictated the route a road could follow and therefore the location of wells.

I cannot speak for the Forest Service, but I feel they are now more comfortable with Nassau's operations and know we are conscientious in enforcing locked gates and doing what we can to minimize impact. Also, I feel they have found the impact of our operations to be less than expected. Because this plan has been successful at Carracas, Nassau and the Forest Service have had time to evaluate impacts and develop a working relationship. As a result, additional development in some areas can now be considered. Future development at Carracas will continue to follow the original plan, with some allowance for infill locations. These infill locations are those which you are seeing now as Pictured Cliffs locations.

Specific discussion of the locations in question are as follows:

1. 22B-14 The two wells originally drilled in Section 22 were spotted to minimize the amount of road required and the impact on a large area which covers parts of Sections 15, 16, 21, and 22. The road which serves 22B-7 and 22B-9 comes in from the North and also serves wells in section 15 and provides access to Sections 11, 12, 13, 14, 23, 24, and 25. This entire area was nearly roadless when drilling began. To keep the road traffic in this area to a minimum, access to Section 22 was allowed from the North only.

The road to 22B-14 as now proposed involves about 1/4 mile of road and will be built from the south as an extension of a road behind a locked gate. Apparently, the impact on the area has been low enough to allow the Forest Service to favorably consider a well in the SW of Section 22 now.

2. 27B-8 Here again, the original wells were drilled on the same side of Section 27 to minimize impact on a larger area between wells. The wells in Section 27 are behind a locked gate and apparently the impact is low enough for the Forest Service to now consider a location in the NE of Section 27.

3. 28B-7 The two original wells in Section 28 were drilled on a main existing road. Apparently impact in this area has been low enough for the Forest Service to consider a location at 28B-7 as it will be accessed from the main road also.

4. 35B-8 The wells in Section 35 were originally drilled at locations approved by the Forest Service in the south half of the section to minimize impact on the north half and calculated to reduce well crowding in the corner of Sections 25, 26, 35 and 36. Three Fruitland wells would have been crowded into this corner because of terrain if 35B-9 had not been moved.

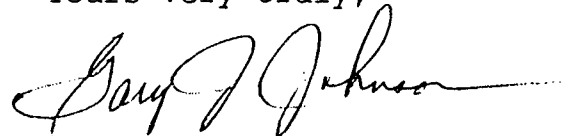
The proposed Pictured Cliffs location is on the current road and will involve no new road construction.

Page 3

The wells originally drilled as unorthodox locations were drilled to comply with the original Carracas development plan developed by Nassau in cooperation with the US Forest Service. Time and experience with the results of the plan have allowed the plan to be modified somewhat. The proposed Pictured Cliffs wells are proposed in locations that have become available as a result of the success of the original plan.

If you have any further questions on this matter, please advise.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Gary J. Johnson", written in dark ink.

Gary J. Johnson
Vice President Engineering



CONSERVATION DIVISION
RECEIVED

Jerome P. McHugh & Associates

Operating Affiliate: **Nassau Resources, Inc.**

P O Box 809, Farmington, NM 87499-0809

(505) 326-7793

Fax (505) 327-0859

'93 FEB 12 AM 8 59
February 10, 1993

New Mexico Oil Conservation Division

ATTN: Mike Stogner

P O Box 2088

Santa Fe, New Mexico 87504

RE: Application for Unorthodox Location

Nassau Resources, Inc.

Carracas Unit-PC 22 B #14

620' FSL - 2055' FWL

Sec. 22, T32N, R4W, NMPM

Rio Arriba County, NM

Gentlemen:

Nassau Resources, Inc., hereby requests administrative approval of an unorthodox location for the captioned well due to terrain and Forest Service guidelines for development. This location for a Pictured Cliffs well was staked after consultation with the Forest Service.

All interest owners, as shown on the attached lease plat, have been notified of this application by certified mail. The only offsetting operator, McHugh Companies, is an operating affiliate with Nassau Resources, Inc.

Also attached are copies of the surveyor's plat, topographic map, production map, and Forest Service guidelines.

Please contact us if anything further is required to complete this application.

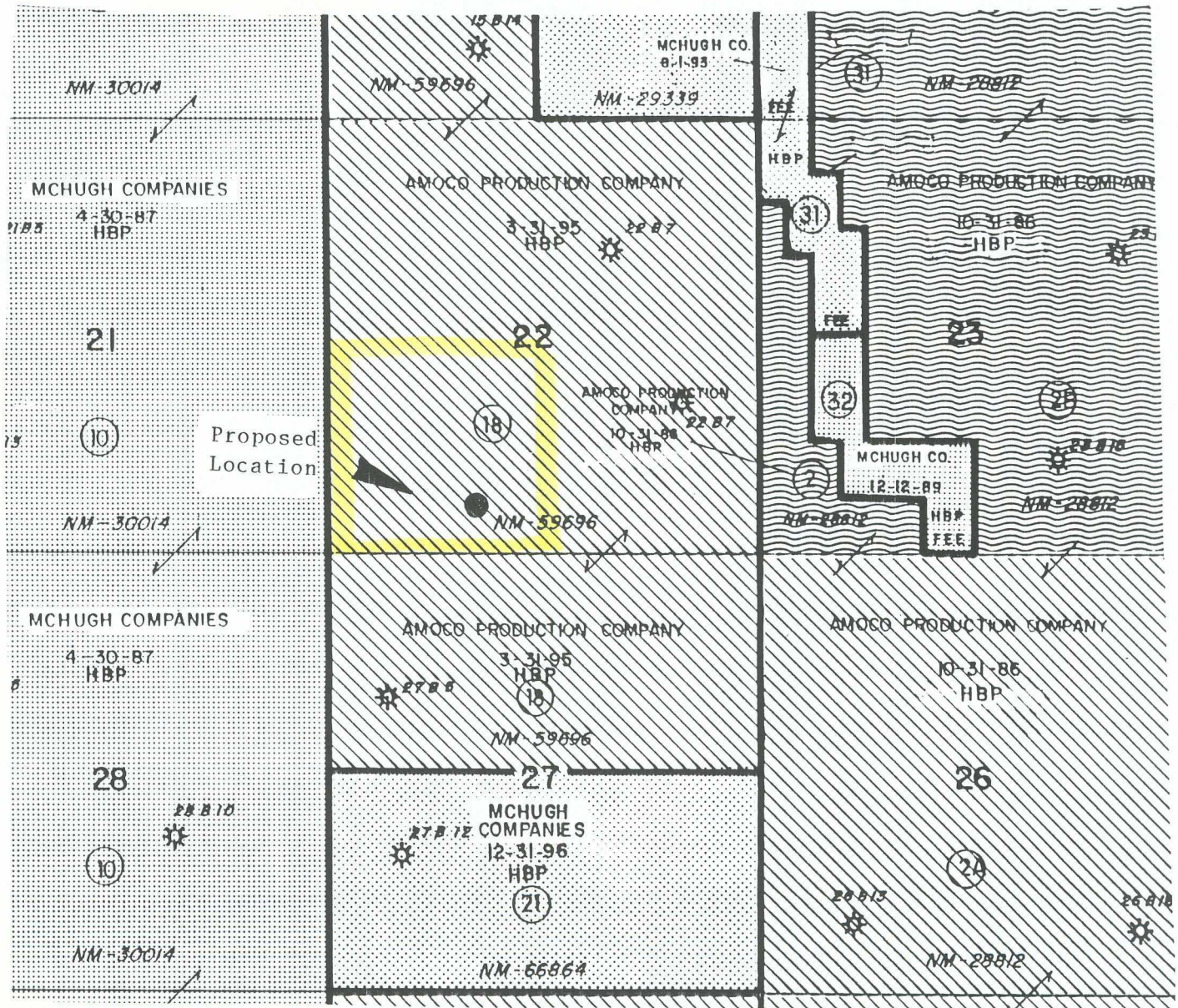
Respectfully submitted,

Fran Perrin
Admin. Asst.

Attachments

XC: Ernie Busch, NMOCD, Aztec, NM
Amoco Production Co.
McHugh Companies

LEASE PLAT



NM 59696

Amoco Production Co.	25%
McHugh Companies	75%

NM 30014

McHugh Companies	100%
------------------	------

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location

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 Nassau Resources, Inc.			Lease Carracas Unit-PC 22 B		Well No. 14
Unit Letter N	Section 22	Township 32 North	Range 4 West	County Rio Arriba	
NMPM					

Actual Footage Location of Well:

620	feet from the	South	line and	2055	feet from the	West	line
Ground level Elev. 7210	Producing Formation Pictured Cliffs		Pool Undesignated Pictured Cliffs		Dedicated Acreage: 160.0 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 communitization, 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 communitization, 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

Fran Perrin

Printed Name

Fran Perrin

Position

Regulatory Liaison

Company

Nassau Resources, Inc.

Date

2/2/93

SURVEYOR CERTIFICATION

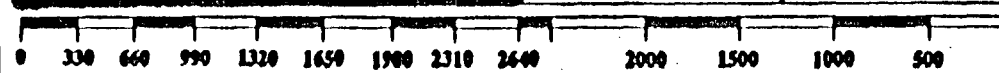
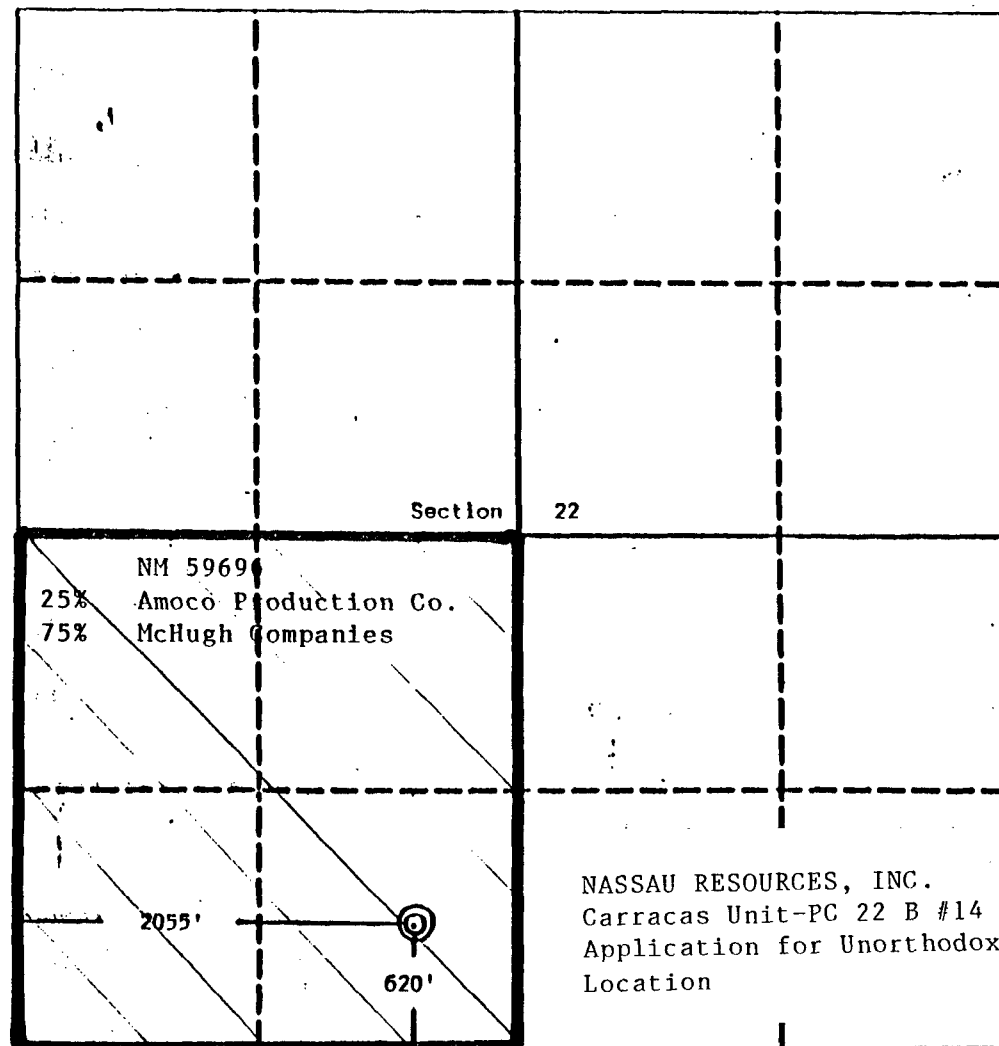
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

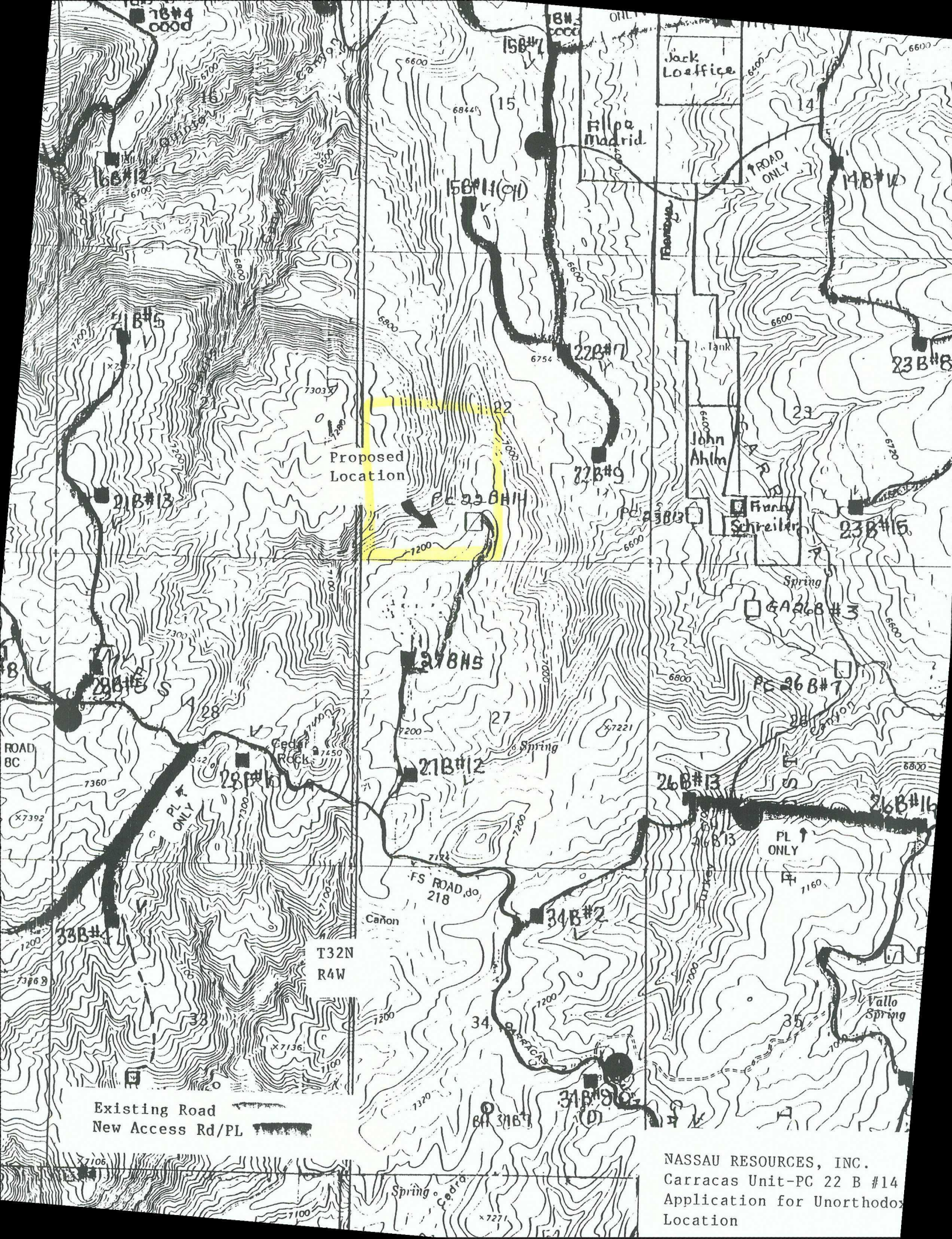
Date Surveyed

December 5, 1989

Signature & Seal of Professional Surveyor

EDGAR L. RISENHOVER
NEW MEXICO
1979
Edgar L. Risenhoover





Existing Road
New Access Rd/PL

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location

Phillips

McHUGH

Q₁

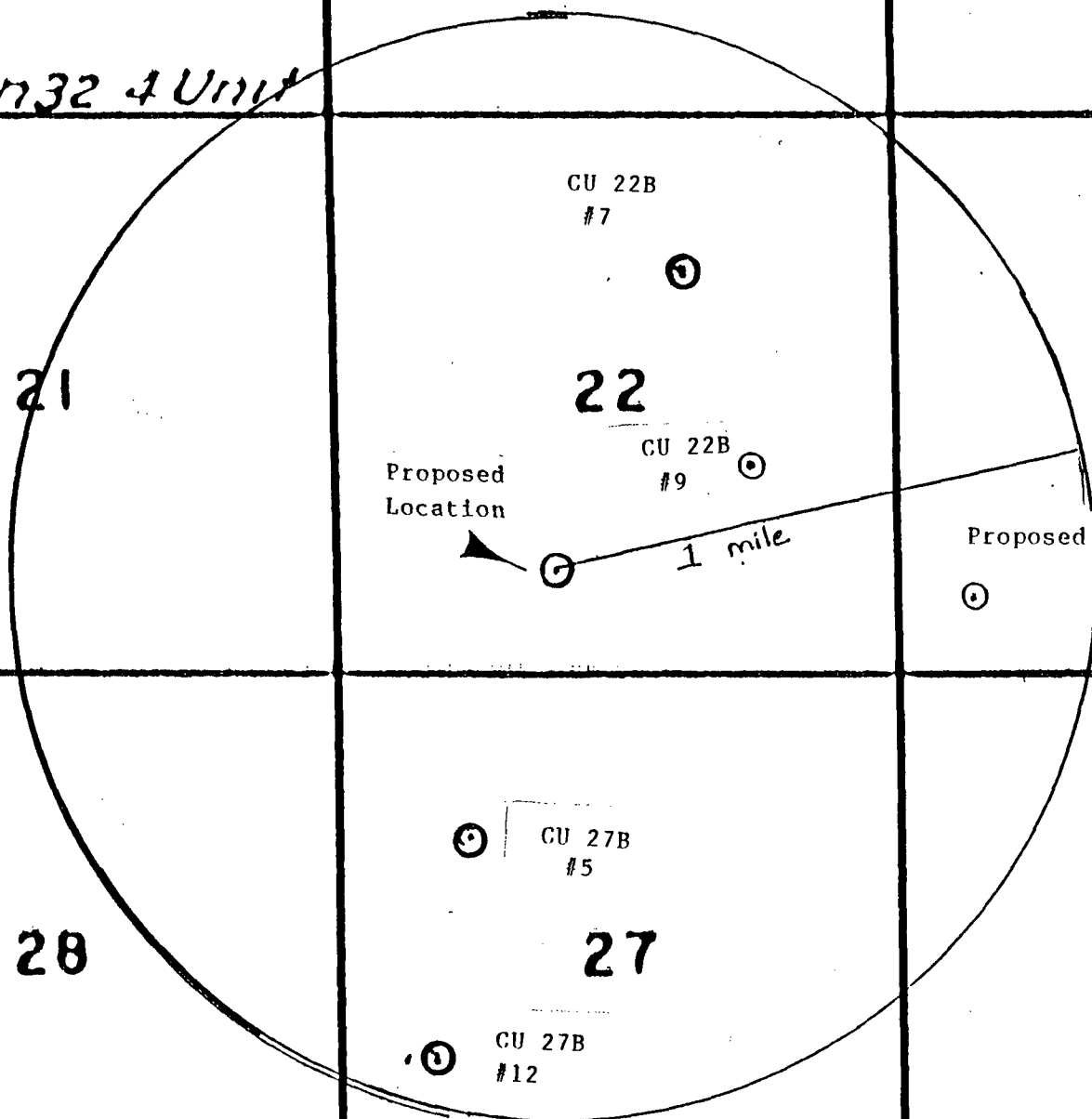
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⊙

Son Juan 32 4 Unit



T32N
R4W

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location



United States
Department of
Agriculture

Forest
Service

Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

Reply to: 2820

Date: August 3, 1988

Mr. James Hazen
Nassau Resources, Inc.
P.O. Box 809
Farmington, New Mexico 87499

Dear James:

It was brought to my attention by Mike Atchison that you will be needing to apply for some unorthodox locations for some of the wells in the Carracas Unit. The current location in need of unorthodox approval is the well location just northwest of the Carracas Administrative site, Section 18, T. 32 N., R. 4 W. The need for moving the location to the new site is based upon wildlife habitat protection and in keeping within the guidelines set forth in the Carson Forest Plan. The Plan, as you know, has a major emphasis in wildlife and wildlife habitat. Also key to this request for moving the location is the current Off-Road-Vehicle restriction policy in place over the entire Carracas Unit. This restriction is in place to limit off-road-vehicle travel within a key wildlife management area so that security area will not be lost by unnecessary road construction.

Whenever possible, locations will be required to be placed along open access roads. Further unorthodox locations can be expected within the Carracas Unit to keep in line with the management direction set forth for this area.

Because of this management direction and the probability of future relocations, I would hope the approval of these unorthodox locations can become routine. If not, please don't hesitate to contact me for further help or if needed to appear in person before the approving officer. If you have any questions, please give me a call.

Sincerely,

Philip R. Settles

PHILIP R. SETTLES
District Forest Ranger

Jerome P. McHugh
Farmington, N.M.

CARING FOR THE LAND AND SERVING PEOPLE



AUG 9 1988

RECEIVED

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location



OIL CONSERVATION DIVISION
RECEIVED

'93 FEB 12 AM 8 59

Jerome P. McHugh & Associates

Operating Affiliate: **Nassau Resources, Inc.**

P O Box 809, Farmington, NM 87499-0809

(505) 326-7793

Fax (505) 327-0859

February 10, 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Amoco Production Co.

Attn: J W Hawkins - Land Department, Proration Group

P O Box 800

Denver, CO 80201

RE: Application for Unorthodox Location

Nassau Resources, Inc.

Carracas Unit-PC 22 B #14

620' FSL - 2055' FWL

Sec. 22, T32N, R4W, NMPM

Rio Arriba County, NM

Dear Mr. Hawkins:

Enclosed is a copy of the subject Application for Unorthodox Location. Amoco Production Co. is an interest owner in Lease No. NM-59696.

Please feel free to call if you have any questions.

Thank you,

Fran Perrin

Fran Perrin
Admin. Asst.

Enclosure

xc: NMOCD, Santa Fe, NM

McHUGH

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
150 South Cherry, Suite 1225
Denver, Colorado 80222-1894
RECEIVED
(303) 321-2111 FAX (303) 321-1563

'93 FEB 15 AM 8 56

February 12, 1993

McH

New Mexico Oil Conservation Division
Attn: Mr. Mike Stogner
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

*Give Mike Harvey ✓
Mike:
Bob ✓
David ✓*

Re: **Authority of Nassau Resources, Inc. to Act on behalf of McHugh Companies**

Gentlemen:

Please accept this letter as notice and authorization by McHugh Companies to allow Nassau Resources, Inc. to act on its behalf in conducting oil and gas business with your office. The relationship between McHugh Companies and Nassau Resources, Inc. is detailed below.

Nassau Resources, Inc., a Colorado corporation, is the operating affiliate of Jerome P. McHugh & Associates. McHugh Companies, a Colorado general partnership, is the legal titleholder for all oil and gas interests owned beneficially by Jerome P. McHugh & Associates. McHugh Companies does not act as operator of any oil and gas properties; these responsibilities have been delegated to Nassau Resources, Inc. Nassau Resources, Inc. owns no interests in wells that it operates and Nassau Resources, Inc. only operates wells in which McHugh Companies holds legal title to all or a portion of the working interest. The shareholders of Nassau Resources, Inc. and the partners of McHugh Companies are the same parties.

Please contact James C. Joda at (303) 321-2111 if you have any further requirements.

Very truly yours,

NASSAU RESOURCES, INC.

James C. Joda
James C. Joda,
Vice President

McHUGH COMPANIES

Emory L. Sampson
Emory L. Sampson
Attorney in Fact



STATE OF NEW MEXICO

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

RECEIVED

OIL CONSERVATION DIVISION

AZTEC DISTRICT OFFICE

'93 FEB 18 AM 9 11

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 2-15-93

Att: Mike Stogner

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

RE: Proposed MC _____
Proposed NSL R _____
Proposed WFX _____
Proposed NSP _____

Proposed DIIC _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 2-11-93

for the NASSAU RES, Inc. OPERATOR CARRACAS UNIT-PC 22B #14 LEASE & WELL NO.

N-22-32N-4W and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,

Eric Busch



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

August 29, 1989

Nassau Resources, Inc.
c/o Jerome P. McHugh & Associates
P.O. Box 809
Farmington, NM 87499-0809

Attention: Fran Perrin

Administrative Order NSL-2690

Dear Ms. Perrin:

Reference is made to your application of July 31, 1989 for a non-standard coal gas well location for your Carracas Unit 22-B Well No. 9 to be located 1830 feet from the South line and 880 feet from the East line (Unit I) of Section 22, Township 32 North, Range 4 West, NMPM, Basin Fruitland Coal (Gas) Pool, Rio Arriba County, New Mexico. The S/2 of said Section 22 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read 'William J. LeMay', written over a horizontal line.

William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
New Mexico Oil & Gas Engineering Committee - Hobbs
US Bureau of Land Management - Farmington
US Forest Service - Blanco



Jerome P. McHugh & Associates
Operating Affiliate: **Nassau Resources, Inc.**
P O Box 809, Farmington, NM 87499-0809
(505) 326-7793 Fax (505) 327-0859

February 10, 1993

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

OIL CONSERVATION DIVISION
RECEIVED
'93 FEB 12 AM 8 59

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit-PC 22 B #14
620' FSL - 2055' FWL
Sec. 22, T32N, R4W, NMPM
Rio Arriba County, NM

Gentlemen:

Nassau Resources, Inc., hereby requests administrative approval of an unorthodox location for the captioned well due to terrain and Forest Service guidelines for development. This location for a Pictured Cliffs well was staked after consultation with the Forest Service.

All interest owners, as shown on the attached lease plat, have been notified of this application by certified mail. The only offsetting operator, McHugh Companies, is an operating affiliate with Nassau Resources, Inc.

Also attached are copies of the surveyor's plat, topographic map, production map, and Forest Service guidelines.

Please contact us if anything further is required to complete this application.

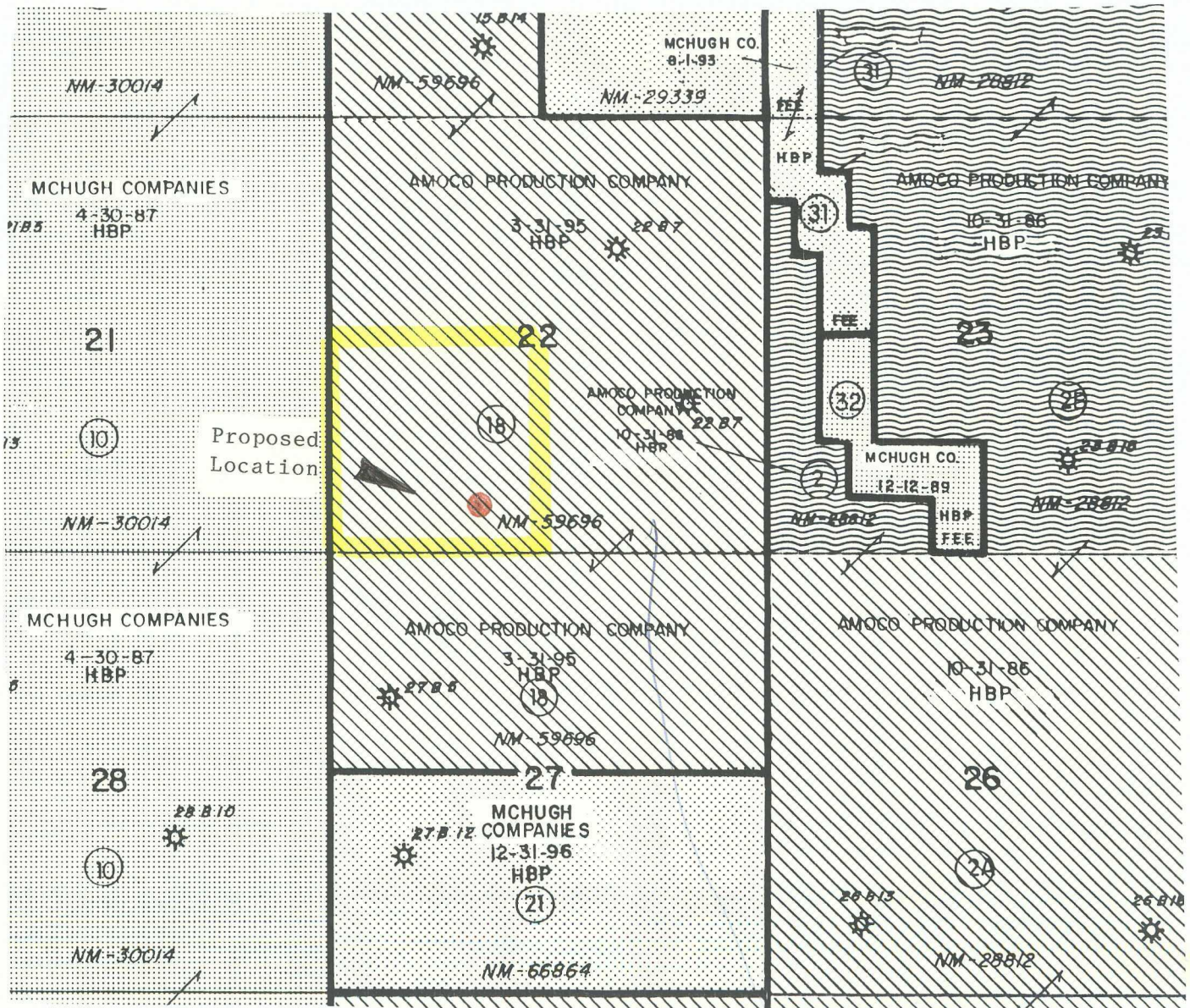
Respectfully submitted,

Fran Perrin
Admin. Asst.

Attachments

XC: Ernie Busch; NMOCD, Aztec, NM
Amoco Production Co.
McHugh Companies

LEASE PLAT



NM 59696

Amoco Production Co.	25%
McHugh Companies	75%

NM 30014

McHugh Companies	100%
------------------	------

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location

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

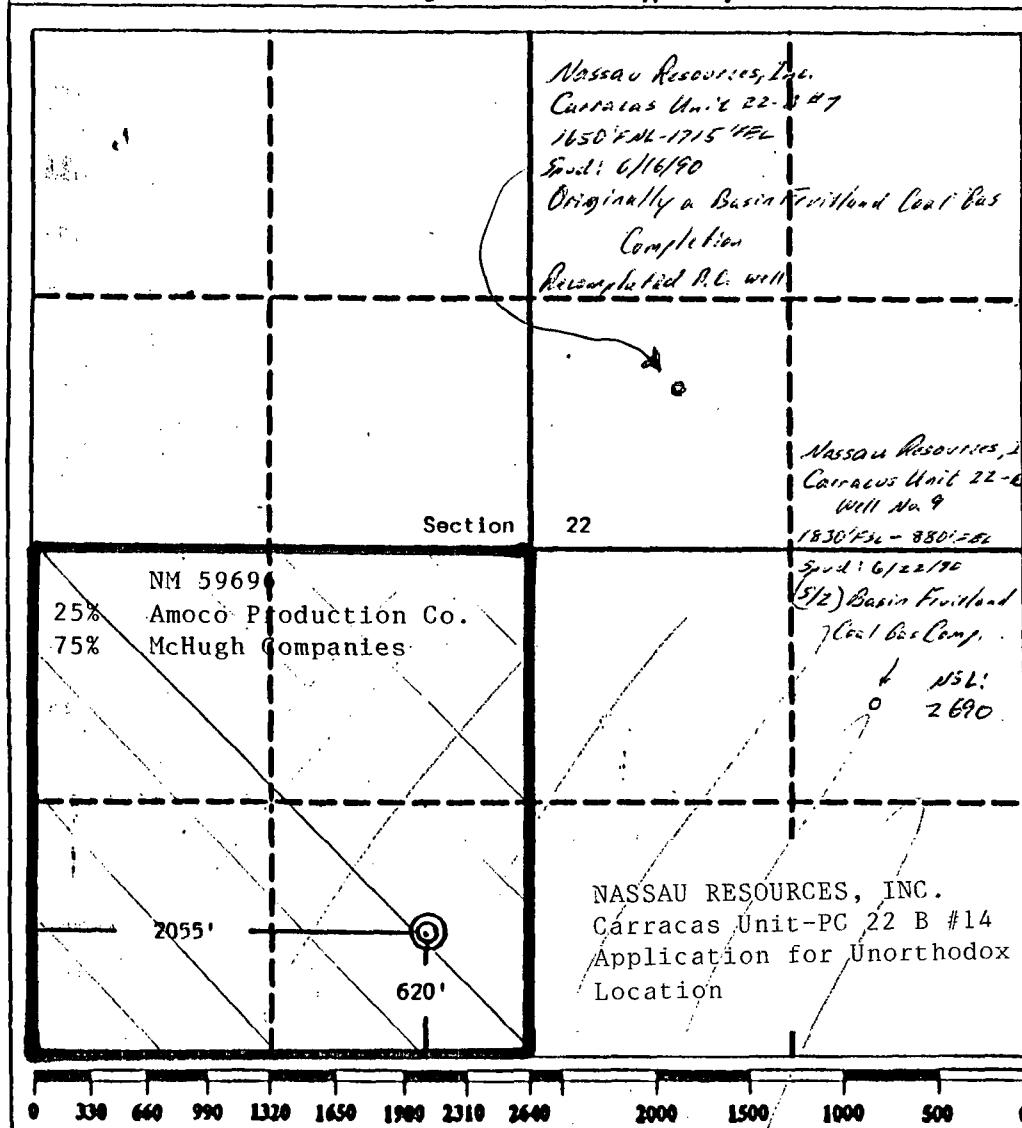
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Nassau Resources, Inc.			Lease Carracas Unit-PC 22 B		Well No. 14
Unit Letter N	Section 22	Township 32 North	Range 4 West	County Rio Arriba	
Actual Footage Location of Well: 620 feet from the South line and 2055 feet from the West line					
Ground level Elev. 7210	Producing Formation Pictured Cliffs		Pool Undesignated Pictured Cliffs	Dedicated Acreage: 160.0 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, 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 communitization, 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
Fran Perrin
Printed Name
Fran Perrin
Position
Regulatory Liaison
Company
Nassau Resources, Inc.
Date
2/2/93

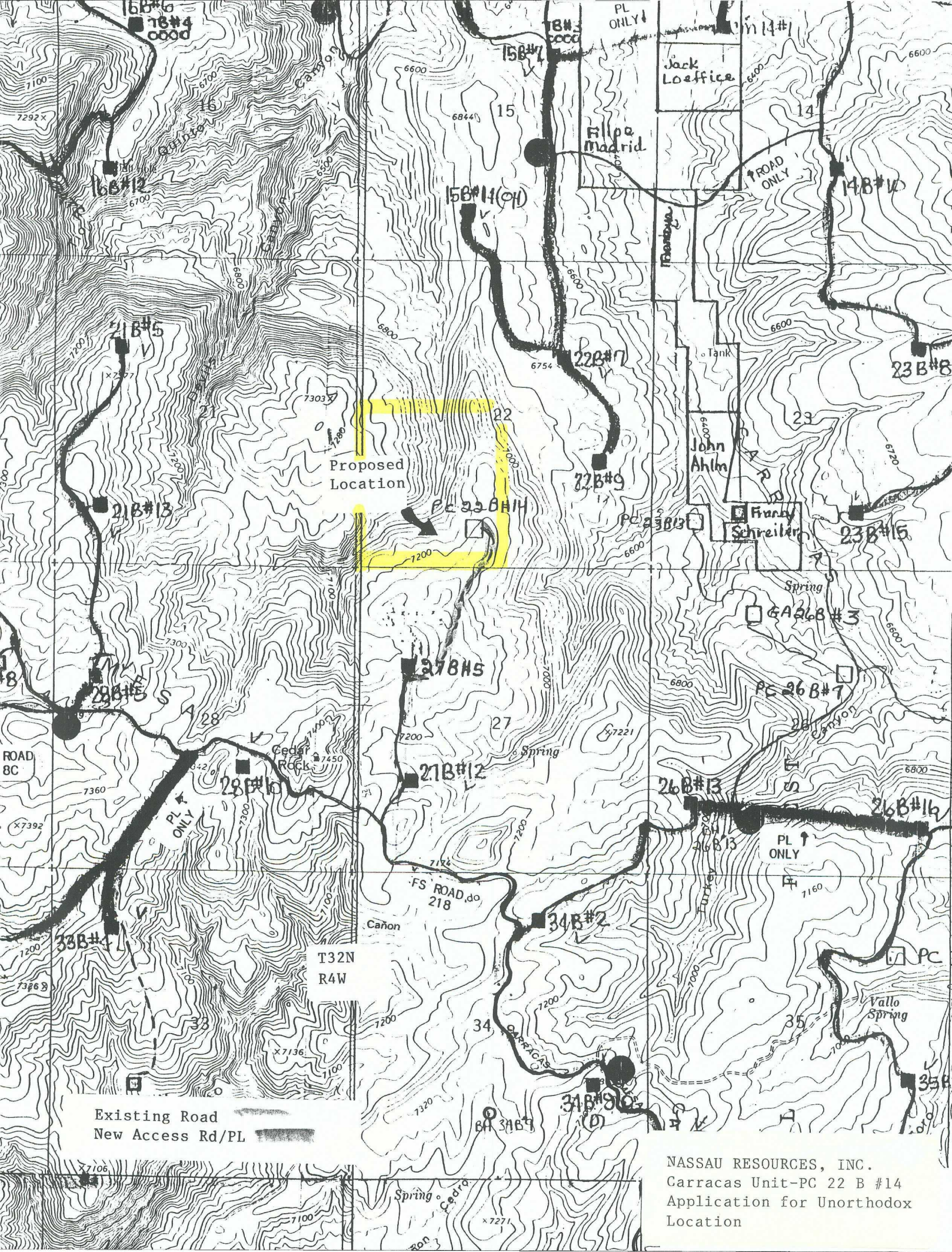
SURVEYOR CERTIFICATION

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
December 5, 1989

Signature & Seal of
Professional Surveyor

EDGAR L. RISENHOVER
NEW MEXICO
5979
1979
Edgar L. Risenhoover



Existing Road
New Access Rd/PL

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location

Phillips

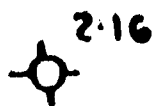
McHUGH

Q' B

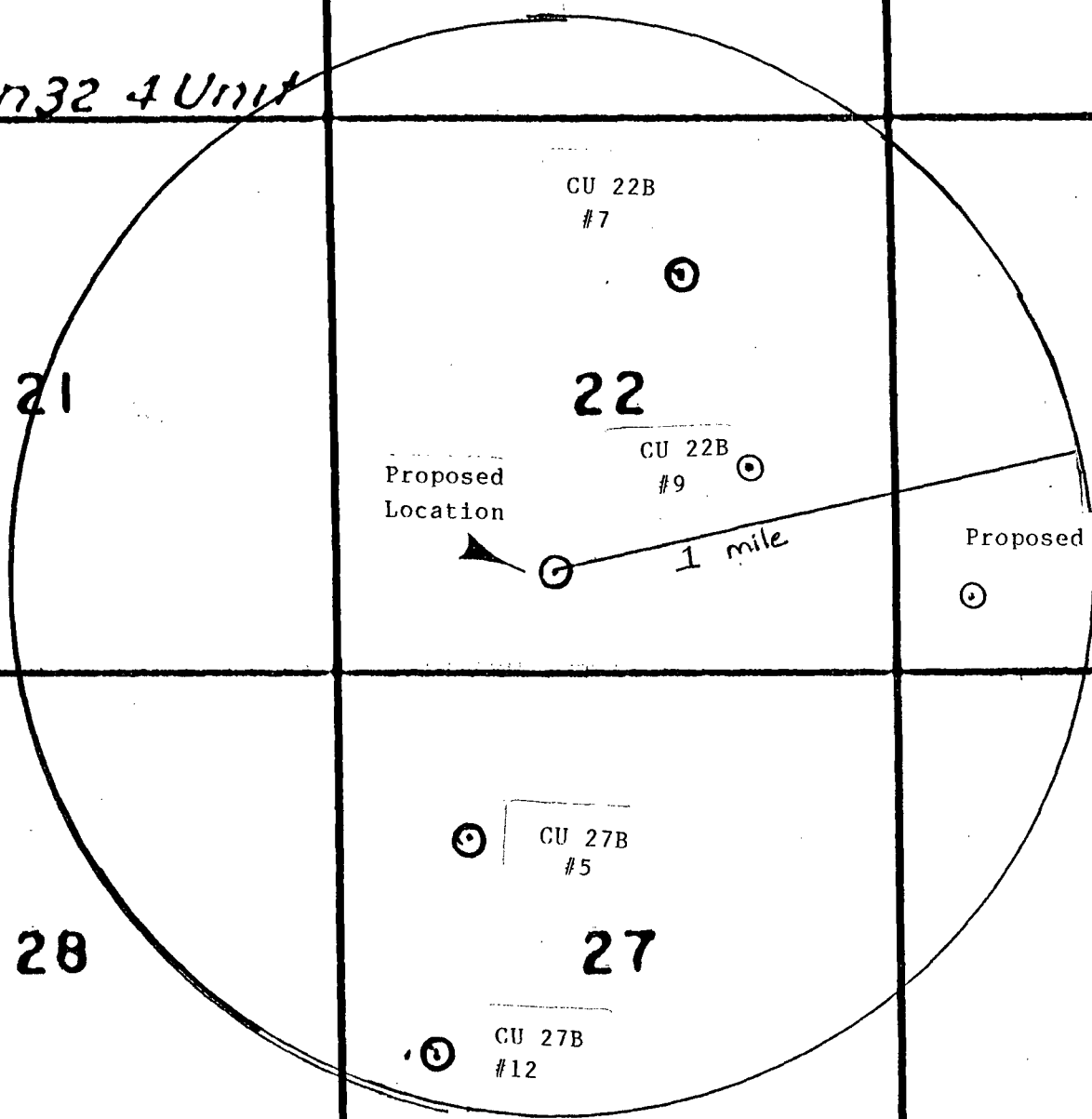
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San Juan 32 4 Unit



Proposed
Location

CU 22B
#7

22

CU 22B
#9

1 mile

Proposed CUPC 23B #1



CU 27B
#5

27



CU 27B
#12

28

26

T32N
R4W

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location

33

24

75



United States
Department of
Agriculture

Forest
Service

Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

Reply to: 2820

Date: August 3, 1988

Mr. James Hazen
Nassau Resources, Inc.
P.O. Box 809
Farmington, New Mexico 87499

Dear James:

It was brought to my attention by Mike Atchison that you will be needing to apply for some unorthodox locations for some of the wells in the Carracas Unit. The current location in need of unorthodox approval is the well location just northwest of the Carracas Administrative site, Section 18, T. 32 N., R. 4 W. The need for moving the location to the new site is based upon wildlife habitat protection and in keeping within the guidelines set forth in the Carson Forest Plan. The Plan, as you know, has a major emphasis in wildlife and wildlife habitat. Also key to this request for moving the location is the current Off-Road-Vehicle restriction policy in place over the entire Carracas Unit. This restriction is in place to limit off-road-vehicle travel within a key wildlife management area so that security area will not be lost by unnecessary road construction.

Whenever possible, locations will be required to be placed along open access roads. Further unorthodox locations can be expected within the Carracas Unit to keep in line with the management direction set forth for this area.

Because of this management direction and the probability of future relocations, I would hope the approval of these unorthodox locations can become routine. If not, please don't hesitate to contact me for further help or if needed to appear in person before the approving officer. If you have any questions, please give me a call.

Sincerely,

Philip R. Settles

PHILIP R. SETTLES
District Forest Ranger

Jerome P. McHugh
Farmington, N.M.

CARING FOR THE LAND AND SERVING PEOPLE



AUG 9 1988

RECEIVED

NASSAU RESOURCES, INC.
Carracas Unit-PC 22 B #14
Application for Unorthodox
Location



Jerome P. McHugh & Associates
Operating Affiliate: **Nassau Resources, Inc.**
P O Box 809, Farmington, NM 87499-0809
(505) 326-7793 Fax (505) 327-0859

OIL CONSERVATION DIVISION
RECEIVED

March 12, 1993

'93 MAR 15 AM 10 07

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

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit-PC 28 B #7
1680' FNL - 1370' FEL
Sec. 28, T32N, R4W, NMPM
Rio Arriba County, NM

Gentlemen:

Nassau Resources, Inc., hereby requests administrative approval of an unorthodox location for the captioned well due to terrain and Forest Service guidelines for development. This location for a Pictured Cliffs well was staked near an old road after consultation with the Forest Service.

Amoco Production Company, the only offsetting operator, as shown on the attached lease plat, has been notified of this application by certified mail. McHugh Companies is an operating affiliate with Nassau Resources, Inc.

Also attached are copies of the surveyor's plat, topographic map, production map, and Forest Service guidelines.

Please contact us if anything further is required to complete this application.

Respectfully submitted,

Fran Perrin

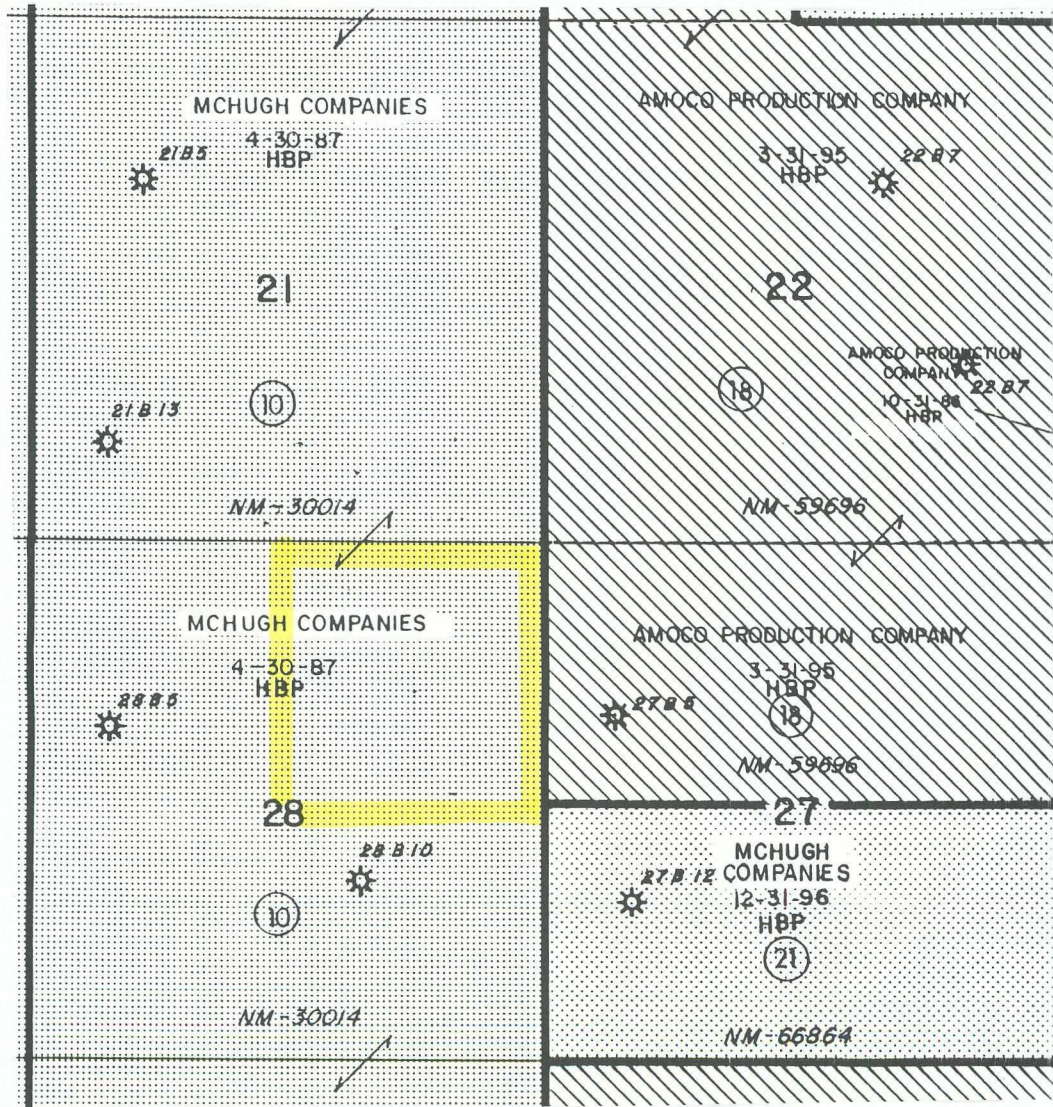
Fran Perrin
Regulatory Liaison

Attachments

XC: Ernie Busch, NMOCD, Aztec, NM
Amoco Production Co.
McHugh Companies

LEASE PLAT

Township 32 North, Range 4 West, NMPM
Rio Arriba County, New Mexico



NM 30014
McHugh Companies 100%

NM 59696
Amoco Production Co. 25%
McHugh Companies 75%

NM 66864
McHugh Companies 100%

NASSAU RESOURCES, INC.
Carracas UnitPC 28 B #7
Application for Unorthodox
Location

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 Nassau Resources, Inc.			Lease Carracas Unit-PC 28 B		Well No. 7
Unit Letter G	Section 28	Township 32 North	Range 4 West	County NMPM	Rio Arriba
Actual Footage Location of Well: 1680 feet from the North line and 1370 feet from the East line					
Ground level Elev. 7325	Producing Formation Pictured Cliffs	Pool Undesignated Pictured Cliffs	Dedicated Acreage: 160.0 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 communitization, 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 communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

Nassau Resources Inc.
Carracas Unit 28-B #5
1850' FNL-790' FNL
Spud: 6/3/89
(W/L) Basin Fruitland Coal
Gas Completion

NSL-2692

McHugh Companies
100%

1680'

1370'

Section 28

Nassau Resources Inc.
Carracas Unit 28-B #10
1850' FNL-1950' FNL
Spud: 4/15/90
(E/L) Basin Fruitland
Coal Gas Completion

NSL-2691

NASSAU RESOURCES, INC.
Carracas Unit PC 28 B #7
Application for Unorthodox
Location

OPERATOR CERTIFICATION

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

Signature

Fran Perrin

Printed Name

Fran Perrin

Position

Regulatory Liaison

Company

Nassau Resources, Inc.

Date

3/12/93

SURVEYOR CERTIFICATION

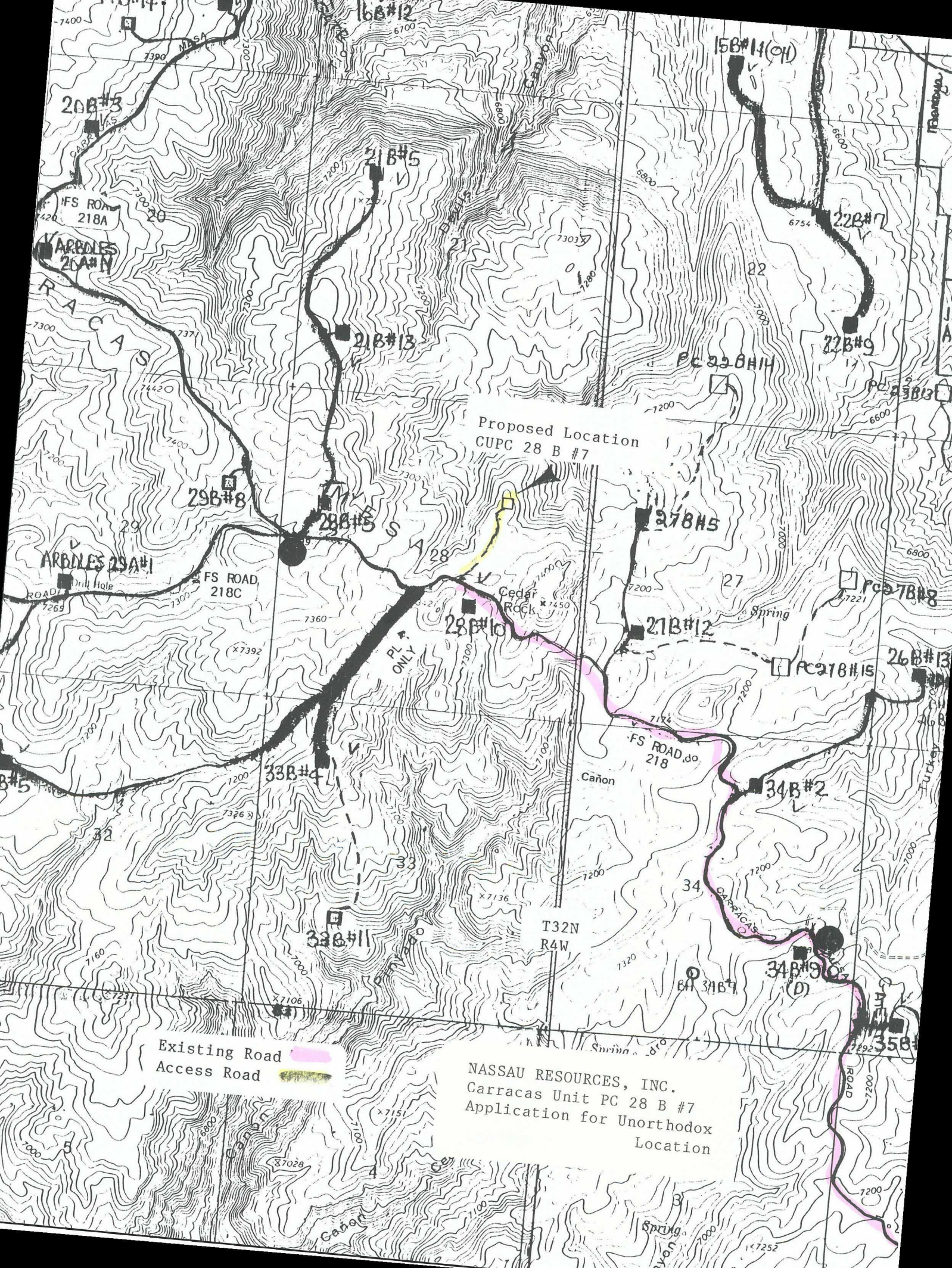
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

December 4, 1989

Signature & Seal of
Professional Surveyor

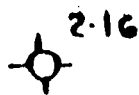
EDGAR L. RISENHOOVER
NEW MEXICO
5979
Edgar L. Risenhoover



Proposed Location
CUPC 28 B #7

Existing Road
Access Road

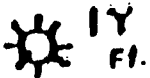
NASSAU RESOURCES, INC.
Carracas Unit PC 28 B #7
Application for Unorthodox
Location



San Juan 32-4 Unit

20

Frontier Energy



17-0
ft

Arboles

21

Proposed CU-PC
21B #10

CU 21B #13

Proposed
CU-PC 21B 10

22

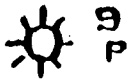
Proposed CU-PC
22B #14

1 mile

CU 28B #5

29

Technigas Inc.



Arboles: A

28

CU 28B #10

27

CU 27B #5

CU 27B #12

CU 33B #4

32

33

34

NASSAU RESOURCES, INC.
Carracas Unit PC 28 B #7
Application for Unorthodox
Location



United States
Department of
Agriculture

Forest
Service

Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

Reply to: 2820

Date: August 3, 1988

Mr. James Hazen
Nassau Resources, Inc.
P.O. Box 809
Farmington, New Mexico 87499

Dear James:

It was brought to my attention by Mike Atchison that you will be needing to apply for some unorthodox locations for some of the wells in the Carracas Unit. The current location in need of unorthodox approval is the well location just northwest of the Carracas Administrative site, Section 18, T. 32 N., R. 4 W. The need for moving the location to the new site is based upon wildlife habitat protection and in keeping within the guidelines set forth in the Carson Forest Plan. The Plan, as you know, has a major emphasis in wildlife and wildlife habitat. Also key to this request for moving the location is the current Off-Road-Vehicle restriction policy in place over the entire Carracas Unit. This restriction is in place to limit off-road-vehicle travel within a key wildlife management area so that security area will not be lost by unnecessary road construction.

Whenever possible, locations will be required to be placed along open access roads. Further unorthodox locations can be expected within the Carracas Unit to keep in line with the management direction set forth for this area.

Because of this management direction and the probability of future relocations, I would hope the approval of these unorthodox locations can become routine. If not, please don't hesitate to contact me for further help or if needed to appear in person before the approving officer. If you have any questions, please give me a call.

Sincerely,

Philip R. Settles

PHILIP R. SETTLES
District Forest Ranger

Jerome P. McHugh
Farmington, N.M.

CARING FOR THE LAND AND SERVING PEOPLE



AUG 9 1988

RECEIVED

NASSAU RESOURCES, INC.
Carracas Unit PC 28 B #7
Application for Unorthodox
Location



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



BRUCE KING
GOVERNOR

March 17, 1993

ANITA LOCKWOOD
CABINET SECRETARY

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

NASSAU RESOURCES, INC.
c/o JEROME P. McHUGH & ASSOCIATES
P. O. BOX 809
FARMINGTON, NEW MEXICO 87499-0809

Attn: Fran Perrin
Administrative Assistant

Re: Applications for unorthodox Pictured Cliffs gas well locations. Carracas Unit-PC "22-B" Well No. 14, "27-B" Well No. 8, "28-B" Well No. 7, and "35-B" Well No. 8 all in Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

Dear Ms. Perrin:

Reference is made to the four subject applications filed with the Division. In reviewing these applications one commonality is apparent that requires further explanation. Within the four Sections affected by these applications (Sections 22, 27, 28, and 35) there are two authorized Basin Fruitland Coal Gas wells, and in each instance the proposed Pictured Cliffs gas well, said interval being spaced on 160-acre units [see Division General Rule 104.B(2) and C(3)] is located within a quarter section that corresponds to the well location requirements for coal gas wells (see RULE 8 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768, as amended, which require coal gas wells on a standard 320-acre gas spacing and proration unit to be located in either the NE/4 or SW/4 of a section). However, when Nassau proposed to develop the coal gas reserves within their respective sections the Division was approached to grant unorthodox coal gas well locations in the opposite quarter sections (see Order No. R-8844 and Administrative Orders NSL-2690 and NSL-2691), because Nassau was unable "to locate and obtain U. S. Forest Service approval for a standard (coal gas) well location within the proposed (320-acre coal gas) spacing unit".



STATE OF NEW MEXICO
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

RECEIVED
93 MAR 19 AM 9:00
91000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 3-17-93

attn: Mike Stogner

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

RE: Proposed MC _____
Proposed NSL X _____
Proposed WFX _____
Proposed NSP _____

Proposed DIIC _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 3-15-93

for the NASSAU RESOURCES, INC. CARRACAS UNIT PC 28 B #7
OPERATOR LEASE & WELL NO.

G-28-32N-4W and my recommendations are as follows:
UL-S-T-R

APPROVE

Yours truly,

Gene Brub

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

August 30, 1989

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

Nassau Resources, Inc.
c/o Jerome P. McHugh & Associates
P.O. Box 809
Farmington, NM 87499-0809

Attention: Fran Perrin

Administrative Order NSL-2692

Dear Ms. Perrin:

Reference is made to your application of August 8, 1989 for a non-standard coal gas well location for your Carracas Unit 28-B Well No. 5 located 1850 feet from the North line and 790 feet from the West line (Unit E) of Section 28, Township 32 North, Range 4 West, NMPM, Basin Fruitland Coal (Gas) Pool, Rio Arriba County, New Mexico. The W/2 of said Section 28 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

A handwritten signature in dark ink, appearing to read 'William J. LeMay', with a long, sweeping line extending downwards from the end of the signature.

William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
New Mexico Oil & Gas Engineering Committee - Hobbs
US Bureau of Land Management - Farmington
US Forest Service - Blanco

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

August 30, 1989

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

Nassau Resources, Inc.
c/o Jerome P. McHugh & Associates
P.O. Box 809
Farmington, NM 87499-0809

Attention: Fran Perrin

Administrative Order NSL-2691

Dear Ms. Perrin:

Reference is made to your application of August 8, 1989 for a non-standard coal gas well location for your Carracas 28-B Well No. 10 to be located 1850 feet from the South and East lines (Unit J) of Section 28, Township 32 North, Range 4 West, NMPM, Basin Fruitland Coal (Gas) Pool, Rio Arriba County, New Mexico. The E/2 of said Section 28 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read 'William J. LeMay', with a long, sweeping horizontal stroke extending to the right.

William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
New Mexico Oil & Gas Engineering Committee - Hobbs
US Bureau of Land Management - Farmington
US Forest Service - Blanco



OIL CONSERVATION DIVISION
RECEIVED

Jerome P. McHugh & Associates

Operating Affiliate: **Nassau Resources, Inc.**

P.O. Box 809, Farmington, NM 87499-0809

(505) 326-7793

Fax (505) 327-0859

February 24, 1993

93 FEB 26 AM 9 08

New Mexico Oil Conservation Division

ATTN: Mike Stogner

P O Box 2088

Santa Fe, New Mexico 87504

RE: Application for Unorthodox Location

Nassau Resources, Inc.

Carracas Unit-PC 27 B #8

2460' FNL - 610' FEL

Sec. 27, T32N, R4W, NMPM

Rio Arriba County, NM

Gentlemen:

Nassau Resources, Inc., hereby requests administrative approval of an unorthodox location for the captioned well due to terrain and Forest Service guidelines for development. This location for a Pictured Cliffs well was staked after consultation with the Forest Service.

All offsetting operators and interest owners, as shown on the attached lease plat, have been notified of this application by certified mail. The only offsetting operator, McHugh Companies, is an operating affiliate with Nassau Resources, Inc.

Also attached are copies of the surveyor's plat, topographic map, production map, and Forest Service guidelines.

Please contact us if anything further is required to complete this application.

Respectfully submitted,

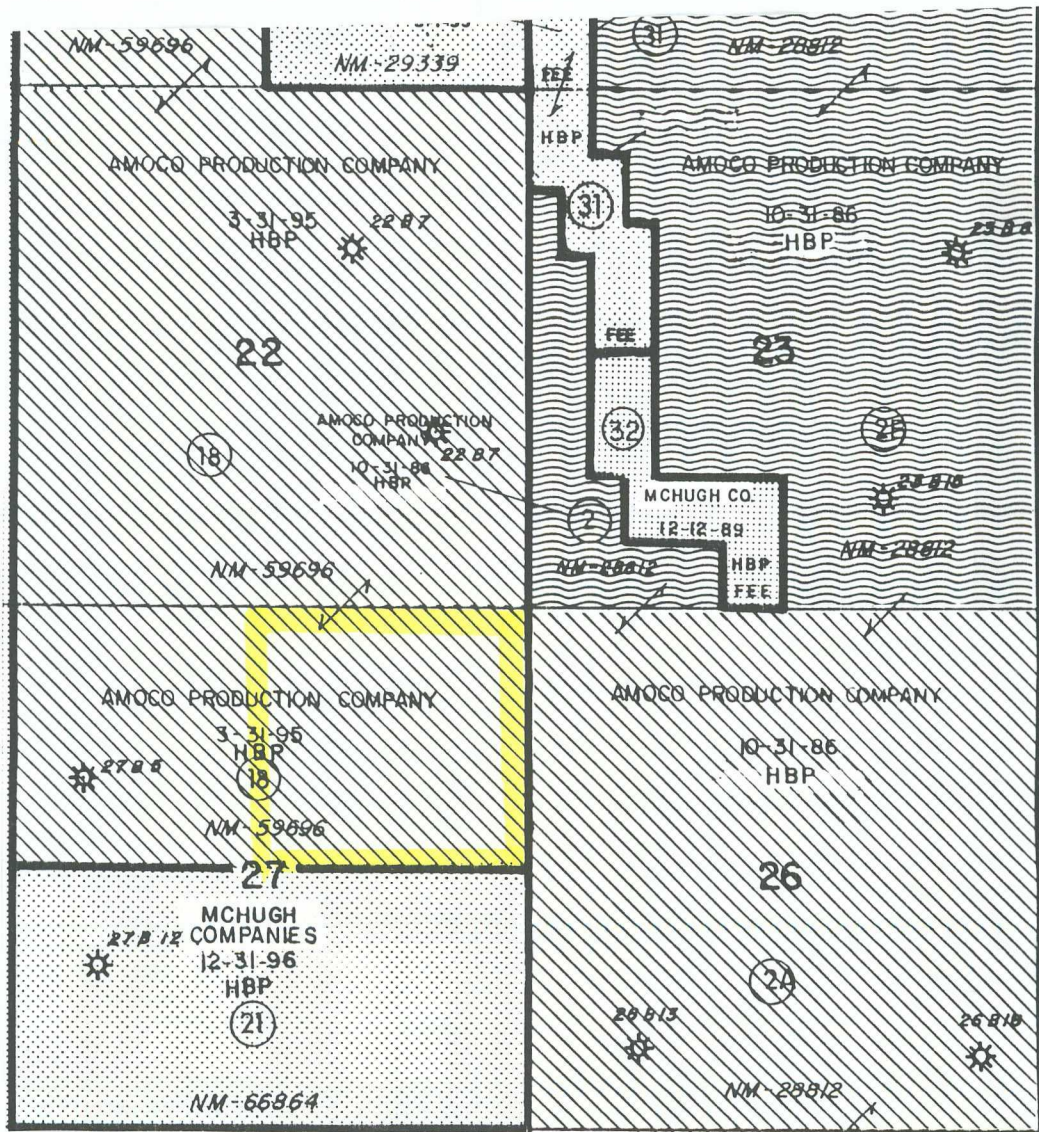
Fran Perrin
Admin. Asst.

Attachments

XC: Ernie Busch, NMOCD, Aztec, NM
Amoco Production Co.
Frontier Energy Corp.
McHugh Companies

LEASE PLAT

Township 32 North, Range 4 West



NM 28812

Amoco Production Co.	12.5%
Frontier Energy Corp.	12.5%
McHugh Companies	75%

Fee Leases

McHugh Companies	100%
------------------	------

NM 66864

McHugh Companies	100%
------------------	------

NM 59696

Amoco Production Co.	25%
McHugh Companies	75%

NASSAU RESOURCES, INC.
Carracas Unit-PC 27 B #8
Application for Unorthodox
Location

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 Nassau Resources, Inc.			Lease Carracas Unit - PG 27 B		Well No. 8
Unit Letter H	Section 27	Township 32 North	Range 4 West	County Rio Arriba	
NMPM					

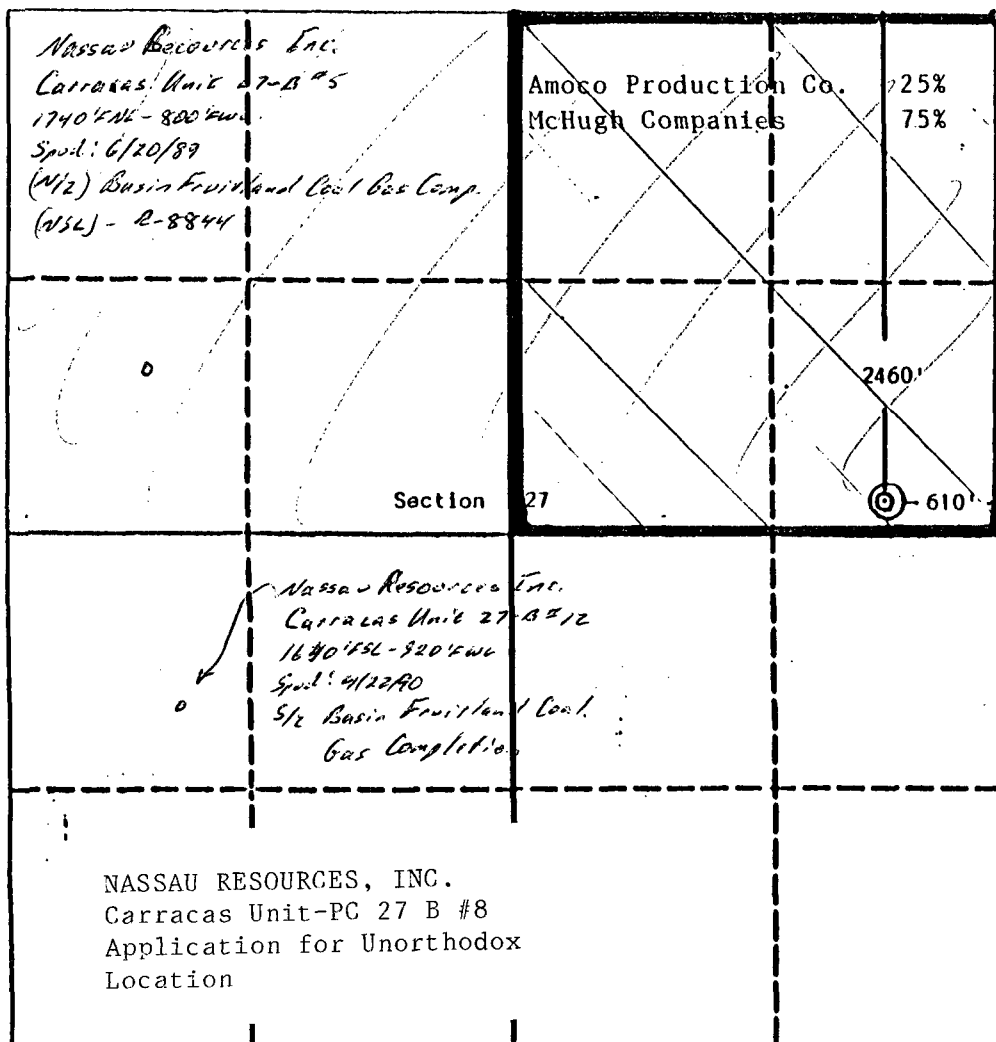
Actual Footage Location of Well:

2460 feet from the North line and	610 feet from the East line		
Ground level Elev. 7160	Producing Formation Pictured Cliffs	Pool Undesignated Pictured Cliffs	Dedicated Acreage: 160.0 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, 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 communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

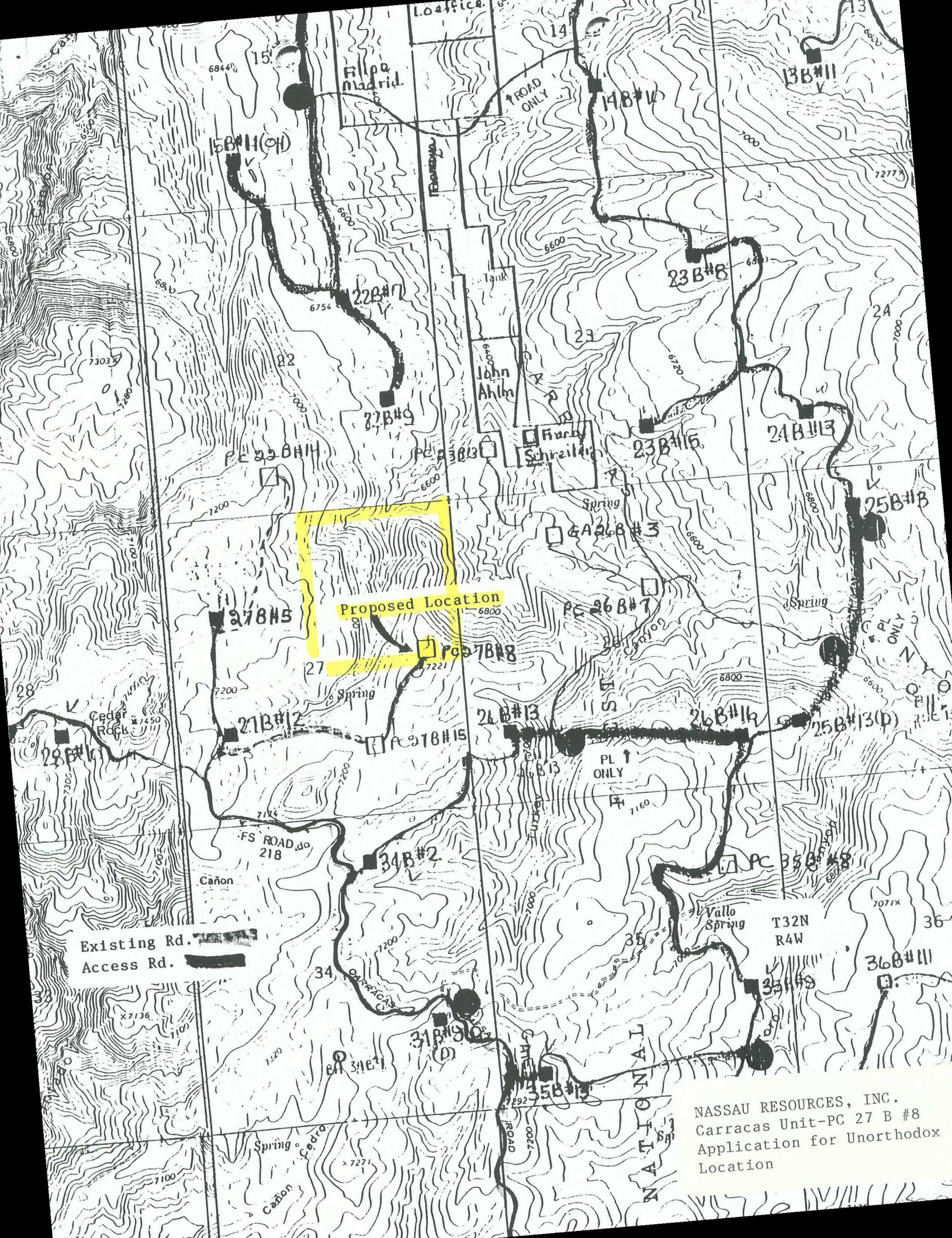
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature Fran Perrin
Printed Name Fran Perrin
Position Regulatory Liaison
Company Nassau Resources, Inc.
Date 2/4/93

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 December 5, 1989
Signature & Seal of Professional Surveyor Edgar L. Risenhoover
Edgar L. Risenhoover, P.S.



NASSAU RESOURCES, INC.
Carracas Unit-PC 27 B #8
Application for Unorthodox
Location

16

15

14

ian 32 4 Unit

21

22

CU 22 B #9

23

CU-PC 22B #14
Proposed

Proposed CUPC 23B#13

CU 27B #5

Proposed GA 26B # 3

Proposed Location

1 MILE

28

27

26

CU 27B #15

Proposed CUPC 26B #7

CU 27B #12

CU-PC 26B #13
CU 26B #13

CU 34B #2

T32N
R4W

33

34

NASSAU RESOURCES, INC.
Carracas Unit-PC 27 B #8
Application for Unorthodox
Location



United States
Department of
Agriculture

Forest
Service

Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

Reply to: 2820

Date: August 3, 1988

Mr. James Hazen
Nassau Resources, Inc.
P.O. Box 809
Farmington, New Mexico 87499

Dear James:

It was brought to my attention by Mike Atchison that you will be needing to apply for some unorthodox locations for some of the wells in the Carracas Unit. The current location in need of unorthodox approval is the well location just northwest of the Carracas Administrative site, Section 18, T. 32 N., R. 4 W. The need for moving the location to the new site is based upon wildlife habitat protection and in keeping within the guidelines set forth in the Carson Forest Plan. The Plan, as you know, has a major emphasis in wildlife and wildlife habitat. Also key to this request for moving the location is the current Off-Road-Vehicle restriction policy in place over the entire Carracas Unit. This restriction is in place to limit off-road-vehicle travel within a key wildlife management area so that security area will not be lost by unnecessary road construction.

Whenever possible, locations will be required to be placed along open access roads. Further unorthodox locations can be expected within the Carracas Unit to keep in line with the management direction set forth for this area.

Because of this management direction and the probability of future relocations, I would hope the approval of these unorthodox locations can become routine. If not, please don't hesitate to contact me for further help or if needed to appear in person before the approving officer. If you have any questions, please give me a call.

Sincerely,

Philip R. Settles

PHILIP R. SETTLES
District Forest Ranger

Jerome P. McHugh
Farmington, N.M.

CARING FOR THE LAND AND SERVING PEOPLE



AUG 9 1988

RECEIVED

NASSAU RESOURCES, INC.
CARRACAS UNIT-PC 27 B #8
Application for Unorthodox
Location

McHUGH

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222-1894
(303) 321-2111 FAX (303) 321-1563

OIL CONSERVATION DIVISION
RECEIVED

14 April 1993

'93 APR 21 AM 8 51

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Post Office Box 2088
State Land Office Building
Santa Fe, New Mexico 87504

Attention: Mr. Michael E. Stogner
Chief Hearing Examiner/Engineer

Dear Mr. Stogner:

Your letter of March 17, 1993 concerning unorthodox locations for Fruitland Coal wells has been forwarded to me for reply.

I will answer your inquiry in general first, and then address specific well locations.

When drilling in the Carracas Unit was begun in 1987, the impact of drilling on this part of the Carson Forest was an unknown. To minimize the impact on wildlife as much as possible, Nassau Resources and the US Forest Service implemented a plan to keep road building to a minimum by locating wells as close as possible to existing roads. When new roads were to be built, the new road was to service as many wells as possible. This necessitated moving some well locations so they could be drilled along the proposed road right-of-way. This procedure allowed more well locations to be controlled with a single locked gate at the existing roads. The aim here was to keep all traffic except routine well servicing in areas where it had been historically and to avoid any looping or circular roads.

To lessen impact on calving and fawning areas, well locations were spotted so larger areas would remain roadless. This often involved spotting wells on the same side of a section so a full half section would be left without impact. (An example of this would be drilling two wells in the west half of Section 6 and two wells in the east half of Section 5 so nearly a full square mile would not be impacted.) To implement this reduction of impact, wells had to be moved from one of the standard locations in each Section.

Another consideration of the plan was to keep road cuts and fills to a minimum and to minimize impact on cultural (archeological) concerns. This often dictated the route a road could follow and therefore the location of wells.

I cannot speak for the Forest Service, but I feel they are now more comfortable with Nassau's operations and know we are conscientious in enforcing locked gates and doing what we can to minimize impact. Also, I feel they have found the impact of our operations to be less than expected. Because this plan has been successful at Carracas, Nassau and the Forest Service have had time to evaluate impacts and develop a working relationship. As a result, additional development in some areas can now be considered. Future development at Carracas will continue to follow the original plan, with some allowance for infill locations. These infill locations are those which you are seeing now as Pictured Cliffs locations.

Specific discussion of the locations in question are as follows:

1. 22B-14 The two wells originally drilled in Section 22 were spotted to minimize the amount of road required and the impact on a large area which covers parts of Sections 15, 16, 21, and 22. The road which serves 22B-7 and 22B-9 comes in from the North and also serves wells in section 15 and provides access to Sections 11, 12, 13, 14, 23, 24, and 25. This entire area was nearly roadless when drilling began. To keep the road traffic in this area to a minimum, access to Section 22 was allowed from the North only.

The road to 22B-14 as now proposed involves about 1/4 mile of road and will be built from the south as an extension of a road behind a locked gate. Apparently, the impact on the area has been low enough to allow the Forest Service to favorably consider a well in the SW of Section 22 now.

2. 27B-8 Here again, the original wells were drilled on the same side of Section 27 to minimize impact on a larger area between wells. The wells in Section 27 are behind a locked gate and apparently the impact is low enough for the Forest Service to now consider a location in the NE of Section 27.

3. 28B-7 The two original wells in Section 28 were drilled on a main existing road. Apparently impact in this area has been low enough for the Forest Service to consider a location at 28B-7 as it will be accessed from the main road also.

4. 35B-8 The wells in Section 35 were originally drilled at locations approved by the Forest Service in the south half of the section to minimize impact on the north half and calculated to reduce well crowding in the corner of Sections 25, 26, 35 and 36. Three Fruitland wells would have been crowded into this corner because of terrain if 35B-9 had not been moved.

The proposed Pictured Cliffs location is on the current road and will involve no new road construction.

Page 3

The wells originally drilled as unorthodox locations were drilled to comply with the original Carracas development plan developed by Nassau in cooperation with the US Forest Service. Time and experience with the results of the plan have allowed the plan to be modified somewhat. The proposed Pictured Cliffs wells are proposed in locations that have become available as a result of the success of the original plan.

If you have any further questions on this matter, please advise.

Yours very truly,

A handwritten signature in cursive script, reading "Gary J. Johnson", followed by a horizontal line extending to the right.

Gary J. Johnson
Vice President Engineering



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



BRUCE KING
GOVERNOR

March 17, 1993

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

ANITA LOCKWOOD
CABINET SECRETARY

NASSAU RESOURCES, INC.
c/o JEROME P. McHUGH & ASSOCIATES
P. O. BOX 809
FARMINGTON, NEW MEXICO 87499-0809

Attn: Fran Perrin
Administrative Assistant

Re: Applications for unorthodox Pictured Cliffs gas well locations. Carracas Unit-PC "22-B" Well No. 14, "27-B" Well No. 8, "28-B" Well No. 7, and "35-B" Well No. 8 all in Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

Dear Ms. Perrin:

Reference is made to the four subject applications filed with the Division. In reviewing these applications one commonality is apparent that requires further explanation. Within the four Sections affected by these applications (Sections 22, 27, 28, and 35) there are two authorized Basin Fruitland Coal Gas wells, and in each instance the proposed Pictured Cliffs gas well, said interval being spaced on 160-acre units [see Division General Rule 104.B(2) and C(3)] is located within a quarter section that corresponds to the well location requirements for coal gas wells (see RULE 8 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768, as amended, which require coal gas wells on a standard 320-acre gas spacing and proration unit to be located in either the NE/4 or SW/4 of a section). However, when Nassau proposed to develop the coal gas reserves within their respective sections the Division was approached to grant unorthodox coal gas well locations in the opposite quarter sections (see Order No. R-8844 and Administrative Orders NSL-2690 and NSL-2691), because Nassau was unable "to locate and obtain U. S. Forest Service approval for a standard (coal gas) well location within the proposed (320-acre coal gas) spacing unit".

Now, however Nassau announces its plans to drill within those quarter sections that were originally off limits to coal gas wells. Please provide an explanation as to why these quarter sections are acceptable for drilling at this particular time, but were not available when the applicable coal gas wells were committed.

Sincerely;

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

Michael E. Stogner
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
Philip R. Settles: U. S. Forest Service - Blanco, NM
Case File No. 9559
File: NSL-2690
File: NSL-2691

McHUGH

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222-1894
(303) 321-2111 FAX (303) 321-1563

'93 FEB 15 AM 8 56

February 12, 1993

McH

New Mexico Oil Conservation Division
Attn: Mr. Mike Stogner
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Re: **Authority of Nassau Resources, Inc. to Act on behalf of McHugh Companies**

Gentlemen:


Please accept this letter as notice and authorization by McHugh Companies to allow Nassau Resources, Inc. to act on its behalf in conducting oil and gas business with your office. The relationship between McHugh Companies and Nassau Resources, Inc. is detailed below.

Nassau Resources, Inc., a Colorado corporation, is the operating affiliate of Jerome P. McHugh & Associates. McHugh Companies, a Colorado general partnership, is the legal titleholder for all oil and gas interests owned beneficially by Jerome P. McHugh & Associates. McHugh Companies does not act as operator of any oil and gas properties; these responsibilities have been delegated to Nassau Resources, Inc. Nassau Resources, Inc. owns no interests in wells that it operates and Nassau Resources, Inc. only operates wells in which McHugh Companies holds legal title to all or a portion of the working interest. The shareholders of Nassau Resources, Inc. and the partners of McHugh Companies are the same parties.

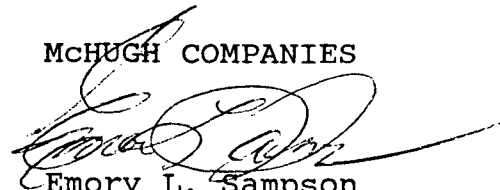
Please contact James C. Joda at (303) 321-2111 if you have any further requirements.

Very truly yours,

NASSAU RESOURCES, INC.


James C. Joda,
Vice President

McHUGH COMPANIES


Emory L. Sampson
Attorney in Fact



Jerome P. McHugh & Associates
Operating Affiliate: **Nassau Resources, Inc.**
P O Box 809, Farmington, NM 87499-0809
(505) 326-7793 Fax (505) 327-0859

February 24, 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Frontier Energy Co.
Attn: Dennis Jones
1717 St. James Place, Suite 380
Houston, TX 77056

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit-PC 27 B #8
2460' FNL - 610' FEL
Sec. 27, T32N, R4W, NMPM
Rio Arriba County, NM

Dear Mr. Jones:

Enclosed is a copy of the subject Application for Unorthodox Location. Frontier Energy Co. is an interest owner in Federal Lease NM 28812, which is an offsetting lease to the proposed location.

If Frontier has no objection to this application, we request that you notify the Oil Conservation Division as soon as possible. Please send a waiver to the attention of Michael Stogner, New Mexico Oil Conservation Division, P O Box 2088. Santa Fe, New Mexico 87504.

Please feel free to call if you have any questions.

Thank you,

Fran Perrin
Admin. Asst.

Enclosure

xc: NMOCD, Santa Fe, NM



Jerome P. McHugh & Associates
Operating Affiliate: **Nassau Resources, Inc.**
P O Box 809, Farmington, NM 87499-0809
(505) 326-7793 Fax (505) 327-0859

February 24, 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Amoco Production Co.
Attn: J W Hawkins - Land Department, Proration Group
P O Box 800
Denver, CO 80201

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit-PC 27 B #8
2460' FNL - 610' FEL
Sec. 27, T32N, R4W, NMPM
Rio Arriba County, NM

Dear Mr. Hawkins:

Enclosed is a copy of the subject Application for Unorthodox Location. Amoco Production Co. is an interest owner in Federal Leases NM-59696 and NM-28812.

Please feel free to call if you have any questions.

Thank you,

Fran Perrin
Admin. Asst.

Enclosure

xc: NMOCD, Santa Fe, NM



Jerome P. McHugh & Associates

Operating Affiliate: **Nassau Resources, Inc.**

P O Box 809, Farmington, NM 87499-0809

(505) 326-7793

Fax (505) 327-0859

RECEIVED

'93 APR 22 AM 9 21

April 19, 1993

New Mexico Oil Conservation Division

ATTN: Mike Stogner

P O Box 2088

Santa Fe, New Mexico 87504

RE: Application for Unorthodox Location

Nassau Resources, Inc.

Carracas Unit-PC 35 B #8

Sec. 35, T32N, R4W, NMPM

Rio Arriba County, NM

Gentlemen:

Nassau Resources, Inc., hereby withdraws its request for administrative approval of an unorthodox location.

The location has been restaked at a standard location for a Pictured Cliffs well within the same quarter quarter section.

Respectfully submitted,

Fran Perrin
Admin. Asst.

XC: Ernie Busch, NMOCD, Aztec, NM
Amoco Production Co.
Frontier Energy Corp.
McHugh Companies



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

March 17, 1993

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

NASSAU RESOURCES, INC.
c/o JEROME P. McHUGH & ASSOCIATES
P. O. BOX 809
FARMINGTON, NEW MEXICO 87499-0809

Attn: Fran Perrin
Administrative Assistant

Re: Applications for unorthodox Pictured Cliffs gas well locations. Carracas Unit-PC "22-B" Well No. 14, "27-B" Well No. 8, "28-B" Well No. 7, and "35-B" Well No. 8 all in Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

Dear Ms. Perrin:

Reference is made to the four subject applications filed with the Division. In reviewing these applications one commonality is apparent that requires further explanation. Within the four Sections affected by these applications (Sections 22, 27, 28, and 35) there are two authorized Basin Fruitland Coal Gas wells, and in each instance the proposed Pictured Cliffs gas well, said interval being spaced on 160-acre units [see Division General Rule 104.B(2) and C(3)] is located within a quarter section that corresponds to the well location requirements for coal gas wells (see RULE 8 of the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768, as amended, which require coal gas wells on a standard 320-acre gas spacing and proration unit to be located in either the NE/4 or SW/4 of a section). However, when Nassau proposed to develop the coal gas reserves within their respective sections the Division was approached to grant unorthodox coal gas well locations in the opposite quarter sections (see Order No. R-8844 and Administrative Orders NSL-2690 and NSL-2691), because Nassau was unable "to locate and obtain U. S. Forest Service approval for a standard (coal gas) well location within the proposed (320-acre coal gas) spacing unit".

Now, however Nassau announces its plans to drill within those quarter sections that were originally off limits to coal gas wells. Please provide an explanation as to why these quarter sections are acceptable for drilling at this particular time, but were not available when the applicable coal gas wells were committed.

Sincerely;

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

Michael E. Stogner
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
Philip R. Settles: U. S. Forest Service - Blanco, NM
Case File No. 9559
File: NSL-2690
File: NSL-2691



STATE OF NEW MEXICO

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
RECEIVED

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

'93 MAR 19 AM 9 13

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 3-17-93

Attn: Mike Stogner

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

RE: Proposed MC _____
Proposed NSL X _____
Proposed WFX _____
Proposed NSP _____

Proposed DIIC _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 3-5-93

for the NASSAU RESOURCES, INC. CARRACAS UNIT PC 22B#14
OPERATOR LEASE & WELL NO.

N-22-32N-4W and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,

Ernest Bosch



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

April 22, 1993

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

U.S. Forest Service
Carson National Forest
Jicarilla Ranger District
Gobernador Route
Blanco, New Mexico 87412

Attn: Philip R. Settles, District Ranger

Re: Applications of Nassau Resources, Inc. for four unorthodox Pictured Cliffs gas well locations. Carracas Unit-PC "22-B" Well No. 14, "27-B" Well No. 8, "28-B" Well No. 7, and "35-B" Well No. 8 all in Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

Dear Mr. Settles:

If you remember, I sent you a copy of my letter to Nassau Resources, Inc. dated March 17, 1993, requesting an explanation for justification for the drilling of certain unorthodox gas well locations in a specific area of their Carracas Unit area.

The Division has received Nassau's response, see copy of letter dated April 14, 1993 attached. As you can see, Nassau makes some statements about the Forest Service for approval of their plans.

I would greatly appreciate any comments you might have on any aspect of these applications. If I haven't received any comments from you concerning this matter within 20 days, I will process these applications accordingly.

Thank you in advance for your time and assistance in this matter.

Sincerely,

Michael E. Stogner
Chief Hearing Examiner/Engineer

c.c. Nassau Resources

McHUGH

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222-1894
(303) 321-2111 FAX (303) 321-1563

14 April 1993

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Post Office Box 2088
State Land Office Building
Santa Fe, New Mexico 87504

Attention: Mr. Michael E. Stogner
Chief Hearing Examiner/Engineer

Dear Mr. Stogner:

Your letter of March 17, 1993 concerning unorthodox locations for Fruitland Coal wells has been forwarded to me for reply.

I will answer your inquiry in general first, and then address specific well locations.

When drilling in the Carracas Unit was begun in 1987, the impact of drilling on this part of the Carson Forest was an unknown. To minimize the impact on wildlife as much as possible, Nassau Resources and the US Forest Service implemented a plan to keep road building to a minimum by locating wells as close as possible to existing roads. When new roads were to be built, the new road was to service as many wells as possible. This necessitated moving some well locations so they could be drilled along the proposed road right-of-way. This procedure allowed more well locations to be controlled with a single locked gate at the existing roads. The aim here was to keep all traffic except routine well servicing in areas where it had been historically and to avoid any looping or circular roads.

To lessen impact on calving and fawning areas, well locations were spotted so larger areas would remain roadless. This often involved spotting wells on the same side of a section so a full half section would be left without impact. (An example of this would be drilling two wells in the west half of Section 6 and two wells in the east half of Section 5 so nearly a full square mile would not be impacted.) To implement this reduction of impact, wells had to be moved from one of the standard locations in each Section.

Another consideration of the plan was to keep road cuts and fills to a minimum and to minimize impact on cultural (archeological) concerns. This often dictated the route a road could follow and therefore the location of wells.

I cannot speak for the Forest Service, but I feel they are now more comfortable with Nassau's operations and know we are conscientious in enforcing locked gates and doing what we can to minimize impact. Also, I feel they have found the impact of our operations to be less than expected. Because this plan has been successful at Carracas, Nassau and the Forest Service have had time to evaluate impacts and develop a working relationship. As a result, additional development in some areas can now be considered. Future development at Carracas will continue to follow the original plan, with some allowance for infill locations. These infill locations are those which you are seeing now as Pictured Cliffs locations.

Specific discussion of the locations in question are as follows:

1. 22B-14 The two wells originally drilled in Section 22 were spotted to minimize the amount of road required and the impact on a large area which covers parts of Sections 15, 16, 21, and 22. The road which serves 22B-7 and 22B-9 comes in from the North and also serves wells in section 15 and provides access to Sections 11, 12, 13, 14, 23, 24, and 25. This entire area was nearly roadless when drilling began. To keep the road traffic in this area to a minimum, access to Section 22 was allowed from the North only.

The road to 22B-14 as now proposed involves about 1/4 mile of road and will be built from the south as an extension of a road behind a locked gate. Apparently, the impact on the area has been low enough to allow the Forest Service to favorably consider a well in the SW of Section 22 now.

2. 27B-8 Here again, the original wells were drilled on the same side of Section 27 to minimize impact on a larger area between wells. The wells in Section 27 are behind a locked gate and apparently the impact is low enough for the Forest Service to now consider a location in the NE of Section 27.

3. 28B-7 The two original wells in Section 28 were drilled on a main existing road. Apparently impact in this area has been low enough for the Forest Service to consider a location at 28B-7 as it will be accessed from the main road also.

4. 35B-8 The wells in Section 35 were originally drilled at locations approved by the Forest Service in the south half of the section to minimize impact on the north half and calculated to reduce well crowding in the corner of Sections 25, 26, 35 and 36. Three Fruitland wells would have been crowded into this corner because of terrain if 35B-9 had not been moved.

The proposed Pictured Cliffs location is on the current road and will involve no new road construction.

Page 3

The wells originally drilled as unorthodox locations were drilled to comply with the original Carracas development plan developed by Nassau in cooperation with the US Forest Service. Time and experience with the results of the plan have allowed the plan to be modified somewhat. The proposed Pictured Cliffs wells are proposed in locations that have become available as a result of the success of the original plan.

If you have any further questions on this matter, please advise.

Yours very truly,

A handwritten signature in cursive script, reading "Gary J. Johnson", followed by a horizontal line.

Gary J. Johnson
Vice President Engineering



United States
Department of
Agriculture

Forest
Service

OIL CONSERVATION DIVISION
RECEIVED
Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

'93 MAY 12 AM 8 47

Reply to: 2820

Date: May 11, 1993

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

Dear Mike:

In response to your letter of April 22, 1993, and our phone conversation on May 10, 1993, the following comments are addressing our and your concerns:

1. At the initial stages of development of the Carracas Unit, we were very cautious in approving certain activities and placement of well locations as we did not have much data concerning their effects upon wildlife. Since then we have gained information to better ascertain how to manage these activities. We are now better able to provide proper management direction. There were some locations that were proposed in the initial development that we couldn't approve but with this added information are now able to approve. Other options need to be considered for other locations.
2. 22B #4 (Shown on attached map) - We have accessed this proposed well and are in agreement with its location.
3. 27B #8 (Shown on attached map) - This is one of the locations that still requires looking at other options. Some of the options we have looked at are:
 - a) Moving this well to the west side of the canyon (as shown) and accessing the well from the new road into the 22B #14 and directional drilling.
 - b) Another option is to move the initial location to the south and directional drill both the proposed well and the future proposed well 27B #15 from the same pad (as shown). Since these are PC wells we feel that this option exists and is feasible.
4. 28B #7 (Shown on attached map) - This proposed location is okay if moved as far south as possible to alleviate the need for another locked gate. If possible, this well could be directional drilled and that would be best.

Caring for the Land and Serving People



5. 35B #8 (Shown on attached map) - We have accessed this proposed well and are in agreement with its location.

One important concern to keep in mind is Nassau Resources must consider the possibility of Mexican spotted owls (now a Federally listed species) being present and comply with all necessary surveys, mitigation measures and restrictions. All of these locations are adjacent to suitable MSO habitat.

Thank you for the opportunity to comment on their proposed wells.

Sincerely,



PHILIP R. SETTLES
District Forest Ranger

cc:
Fran Perrin,
Nassau Resources

NASSAU

OIL CONSERVATION Resources, Inc.

RE: P.O. Box 809

Farmington, NM 87499-0809

'96 APR 22 (505) 326-7792 Fax: (505) 327-0859

April 19, 1996

New Mexico Oil Conservation Division
ATTN: Mike Stogner
2040 South Pacheco
Santa Fe, New Mexico 87505

RE: Extended Permits to Drill

Dear Mr. Stogner:

Enclosed for your files are copies of Sundry Notices indicating that the Permits to Drill for the following three wells have been extended:

Carracas Unit-PC 21 B #10

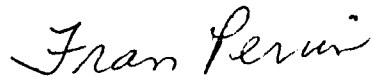
Admin. Order NSL-3227

Carracas Unit-PC 27 B #8

NSL-3257

Carracas Unit-PC 34 B #6

NSL-3319 Amended



Fran Perrin

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

NASSAU RESOURCES, INC. OGRID #015515

3. Address and Telephone No.

P O BOX 809, Farmington, N.M. 87499 505 326-7793

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

2460' FNL - 610' FEL
Sec. 27, T32N, R4W, NMPM

5. Lease Designation and Serial No.

NM 59696

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

Carracas Unit

8. Well Name and No.

Carracas Unit-PC 27B #8

9. API Well No.

30-039-25459

10. Field and Pool, or Exploratory Area

Wildcat:Carracas-Pictured Cliffs

11. County or Parish, State

Rio Arriba, N.M.

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒
- Notice of Intent
-
- ☐
- Subsequent Report
-
- ☐
- Final Abandonment Notice

TYPE OF ACTION

- ☐
- Abandonment
-
- ☐
- Recompletion
-
- ☐
- Plugging Back
-
- ☐
- Casing Repair
-
- ☐
- Altering Casing
-
- ☒
- Other Request extension of APD
-
- ☐
- Change of Plans
-
- ☐
- New Construction
-
- ☐
- Non-Routine Fracturing
-
- ☐
- Water Shut-Off
-
- ☐
- Conversion to Injection
-
- ☐
- Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Request extension of APD due to drilling schedule and seasonal drilling restrictions.

THIS APPROVAL EXPIRES SEP 13 1996

NMOC Admin. Order #NSL-3257

14. I hereby certify that the foregoing is true and correct

Signed Fran Perrin Title Regulatory Liaison Date 3/29/96(This space for Federal or State office use)
Jerome P. McHughApproved by Formington, N.M.

Title _____

Conditions of approval, if any:

APR 12 1996

APPROVED

APR 08 1996

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

RECEIVED

*See Instructions for Reporting

OPERATOR

DISTRICT MANAGER

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:

CASE NO. 9559
ORDER NO. R-8844

APPLICATION OF NASSAU RESOURCES, INC.
FOR NINETEEN UNORTHODOX COAL GAS
WELL LOCATIONS, RIO ARRIBA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 21, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of January, 1989, 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) At the time of the hearing this case was consolidated with Division Case No. 9560 for the purpose of testimony.

(3) The applicant, Nassau Resources, Inc., seeks approval of 19 unorthodox coal gas well locations, as described in Exhibit "A" attached hereto and made a part hereof, to test the Basin-Fruitland Coal (Gas) Pool, Rio Arriba County, New Mexico.

(4) On October 17, 1988, the Division entered Order R-8768 which adopted Special Rules for the Basin-Fruitland Coal (Gas) Pool including RULE 7 which provides in part that the first well drilled in a 320-acre unit shall be located in either the NE/4 or SW/4 of a governmental section and that it be located no closer than 790 feet to the outer boundary of the spacing unit.

(5) Prior to the adoption of the rules for this pool, the applicant in this case, Nassau Resources, Inc., formed the Carracas Canyon Unit in Rio Arriba County, New Mexico, 97.7 percent of which acreage is federal leases.

(6) The preliminary drilling by the applicant in the unit area has provided sufficient information to reasonably conclude that a substantial portion of the unit can be developed for Basin-Fruitland Coal (Gas) production.

(7) The Carracas Canyon Unit in Rio Arriba County, New Mexico, lies almost entirely within the Carson National Forest with all surface use including location of these wells subject to the jurisdiction of the United States Forest Service and to the Carson National Forest Land and Resource Management Plan.

(8) Included among the surface use restrictions for well locations, roads and pipelines to access these wells within the Carracas Canyon Unit were topographical restrictions concerning soil conservation, steepness of slope, limitation on grade for roads, forest preservation, wildlife habitat management and archeological/historical artifact preservation.

(9) The applicant with due diligence has attempted in each section of the unit to locate two wells at locations which would conform to standard well locations under the current RULE 7 of Order No. R-8768. Said U.S. Forest Service Management Plan in the Carson National Forest requires that future use of the Carracas Canyon area surfaces involves maximizing the use of existing roads and minimizing construction of new roads.



(10) For each spacing unit for the proposed nineteen unorthodox coal gas well locations, the applicant has been unable to locate and obtain U.S. Forest Service approval for a standard well location within that proposed spacing unit.

(11) The District Forest Ranger for the Jicarilla Ranger District, whose area encompasses the subject unit area, testified on behalf of the applicant at the hearing that each of the proposed nineteen unorthodox gas well locations has either been approved or is acceptable. His testimony also indicated that in some instances while a surface location may be possible at a standard well location, there is no acceptable location for the necessary roads and pipeline rights of way to access the well locations.

(12) While the proposed nineteen wells are off-pattern locations under the Special Rules for the Basin-Fruitland Coal (Gas) Pool, they will provide for an orderly development of the unit on 320-acre spacing patterns.

(13) No interest owner in the unit nor any interested party adjoining the unit appeared and objected to this application.

(14) The District Ranger also provided supporting testimony which indicates that approval of this application would enable the applicant and the United States Forest Service to implement an orderly plan for exploration and development which is consistent with oil and gas conservation and will not adversely impact environmental concerns.

Case No. 9559
Order No. R-8844
Page No. 3

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the coal gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

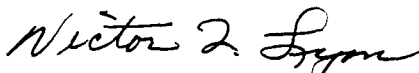
IT IS THEREFORE ORDERED THAT:

(1) The application of Nassau Resources, Inc. for exceptions to RULE 7 of Division Order No. R-8768 allowing 19 unorthodox coal gas well locations, as shown on Exhibit "A" attached hereto and made a part hereof, within their Carracas Canyon Unit Area, Rio Arriba County, New Mexico, for the Basin-Fruitland Coal (Gas) Pool is hereby approved.

(2) 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

for 
WILLIAM J. LEMAY
Director

S E A L

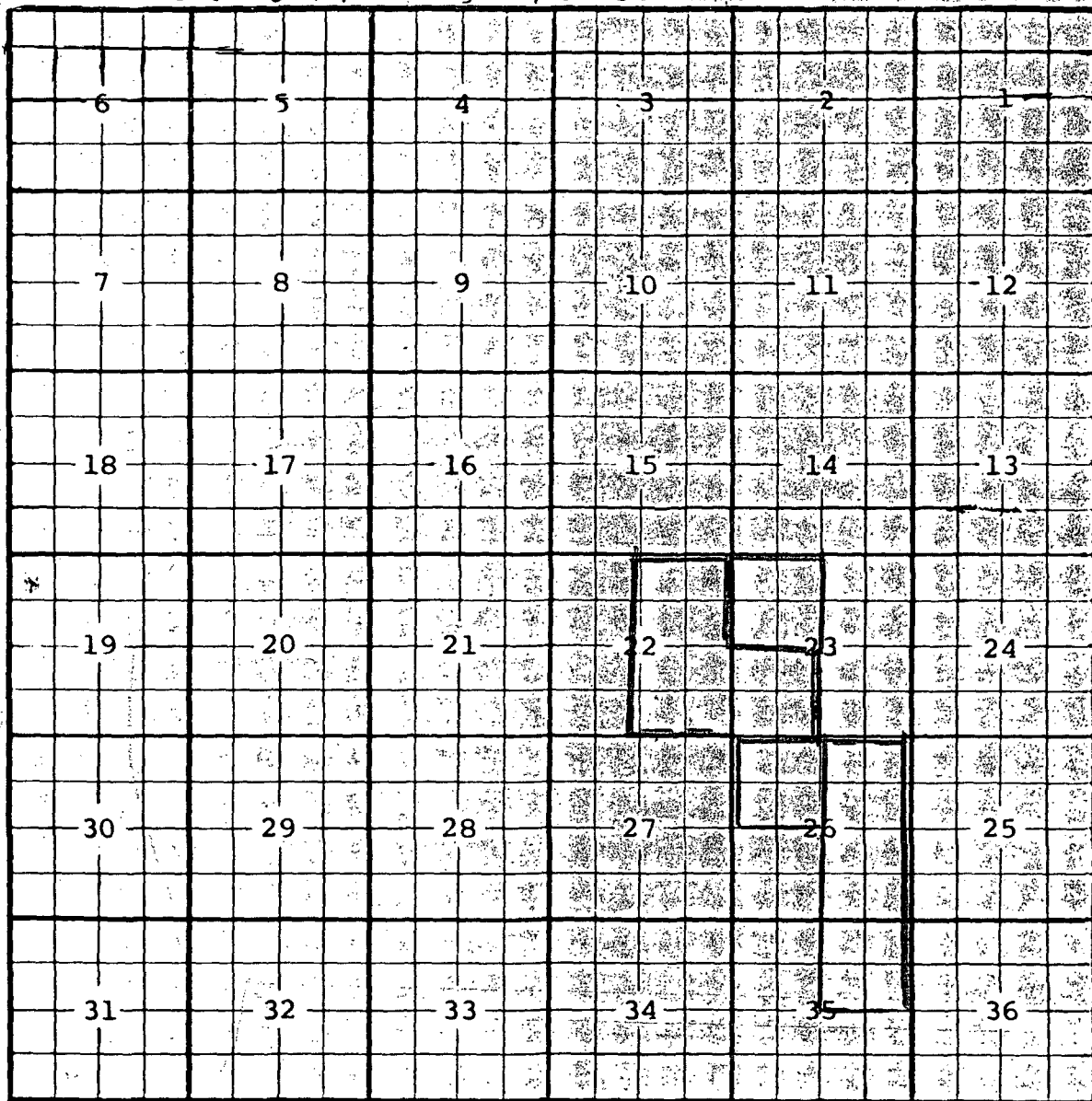
EXHIBIT "A"
CASE NO. 9559
ORDER NO. R-8844

WELL LOCATION

<u>WELL NAME AND NUMBER</u>	<u>FOOTAGE</u>	<u>U-S-T-R</u>	<u>DEDICATED ACREAGE</u>
Carracas Unit 17-B No. 15	650 FSL - 2070 FEL	O-17-32N-4W	E/2 (320 acres)
Carracas Unit 19-B No. 4	1170 FNL - 830 FWL	D-19-32N-4W	Lots 1, 2, 3, 4 and the E/2 W/2 (300.52 acres)
Carracas Unit 21-B No. 5	1655 FNL - 1185 FWL	E-21-32N-4W	N/2 (320 acres)
Carracas Unit 25-B No. 15	640 FSL - 1500 FEL	O-25-32N-4W	E/2 (320 acres)
Carracas Unit 26-B No. 16	790 FS & EL	P-26-32N-4W	E/2 (320 acres)
Carracas Unit 27-B No. 5	1740 FNL - 1800 FWL	E-27-32N-4W	N/2 (320 acres)
Carracas Unit 30-B No. 16	1100 FSL - 790 FEL	P-30-32N-4W	Lots 3 and 4, the E/2 SW/4, and the SE/4 (310.55 acres)
Carracas Unit 31-B No. 5	1770 FNL - 830 FWL	E-31-32N-4W	Lots 1, 2, 3, 4 and the E/2 W/2 (300.96 acres)
Carracas Unit 32-B No. 5	1630 FNL - 790 FWL	E-32-32N-4W	N/2 (320 acres)
Carracas Unit 33-B No. 4	1160 FNL - 1060 FWL	D-33-32N-4W	W/2 (320 acres)
Carracas Unit 33-B No. 16	790 FSL - 1950 FEL	P-33-32N-4W	E/2 (320 acres)
Carracas Unit 35-B No. 9	1850 FSL - 790 FEL	I-35-32N-4W	E/2 (320 acres)
Carracas Unit 36-B No. 15	1190 FSL - 1850 FEL	O-36-32N-4W	E/2 (320 acres)
Carracas Unit 14-A No. 4	790 FN & WL	D-14-32N-5W	N/2 (320 acres)
Carracas Unit 15-A No. 16	200 FSL - 500 FEL	P-15-32N-5W	S/2 (320 acres)
Carracas Unit 21-A No. 15	790 FSL - 1850 FEL	O-21-32N-5W	E/2 (320 acres)
Carracas Unit 22-A No. 16	790 FS & EL	P-22-32N-5W	E/2 (320 acres)
Carracas Unit 25-A No. 16	640 FSL - 710 FEL	P-25-32N-5W	E/2 (320 acres)
Carracas Unit 36-A No. 5	1450 FNL - 910 FWL	6-32N-5W	W/2 (320 acres)

County Rio Arriba Pool Carracas - Pictured Cliffs

TOWNSHIP 32 North Range 4 West NMPM



Description: NW 1/4 Sec. 26 (R-10178, 8-30-94)

Ext: E 1/2 Sec. 22, SW 1/4 Sec. 23, E 1/2 Sec. 26, NE 1/4 Sec. 35 (R-10719, 12-12-96)

Ext: NW 1/4 Sec. 23 (R-10761, 2-10-97)



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 3-17-93

Attn: Mike Stogren

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

RE: Proposed MC _____
Proposed NSL X _____
Proposed WFX _____
Proposed NSP _____

Proposed DIIC _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 3-5-93

for the NASSAU RESOURCES, INC. - CARRACAS UNIT PC 27B #8
OPERATOR LEASE & WELL NO.

H-27-32N-4W and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,

Ernie Burch



STATE OF NEW MEXICO
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

OIL CONSERVATION DIVISION
RECEIVED
93 FEB 18 AM 9 11

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 2-15-93

ATTN: Mike Stagner

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

RE: Proposed MC _____
Proposed NSL X _____
Proposed WFX _____
Proposed NSP _____

Proposed DIIC _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 2-11-93
for the McHugh, Jerome P & Assoc (MESA) CARRACAS UNIT
OPERATOR PC 35 B # 8
LEASE & WELL NO.

H-35-32N-4W and my recommendations are as follows:
UL-S-T-R

APPROVE

Yours truly,

Steve Buech