



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 10, 1997

Thompson Engineering & Production Corporation
c/o Walsh Engineering & Production Corporation
2415 East Main
Farmington, New Mexico 87402

Attention: Paul C. Thompson, P.E.
President

Case 11728

RE: *Administrative application for an unorthodox "off-pattern" coal gas well location within the Basin-Fruitland Coal (Gas) Pool for the proposed Steward Com Well No. 1 (API No. 30-045-29429), to be drilled 790 feet from the South and East lines (Unit P) of Section 28, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico.*

Dear Mr. Thompson:

The subject application was filed with the Division on December 26, 1996. On January 10, 1997 (15 days from the receipt date) an objection by Texakoma Oil & Gas Corporation (see copy attached) was received. The subject application is hereby denied and is being returned to you at this time, further the Aztec District Office of the Division shall postpone action on this well's "Application for Permit to Drill"/Form C-101.

Should Thompson Engineering & Production Corporation wish to pursue this matter further, an application before a duly appointed hearing examiner may be filed with the Division.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
Texakoma Oil & Gas Corporation, Attention: David R. Williams - Dallas, Texas
William J. LeMay - OCD Director, Santa Fe
Rand Carroll, General Counsel - OCD, Santa Fe
Kathy Valdes - OCD, Santa Fe

NSP 11/15/97

COPIES OF
12



WALSH

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892

December 23, 1996

Mr. William J. LeMay
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504-2088

Re: Non-Standard Spacing Unit
Thompson Engineering
Steward Com #1
790' FSL, 790' FEL
Section 28, T32N R13W
San Juan County, NM
Basin Fruitland Coal

Dear Mr. LeMay,

This is a request for administrative approval for a Non-Standard Spacing Location in the Basin Fruitland Coal pool for the referenced well. This request is necessitated for geologic reasons.

As indicated on the attached structure map (Exhibit 1) , the Fruitland coal raises dramatically to the north and west, and actually outcrops in the western half of this section. A Fruitland Coal completion in a standard location in the northeast quarter would be too close to the outcrop and not, in our opinion, result in an economic well.

The east half of Section 28 is dedicated to this well. Exhibit 2 is a well location plat. Attached is a plat indicating the offset Fruitland Coal operators and existing Fruitland Coal wells (Exhibit 3) and a list of offset operators and their addresses (Exhibit 4).

The offset Fruitland Coal operators are being notified of this application by certified return receipt mail. Copies of these letters are enclosed as Exhibit 5.



Thank you for your consideration and approval of this application. If you have any questions please do not hesitate to call upon me.

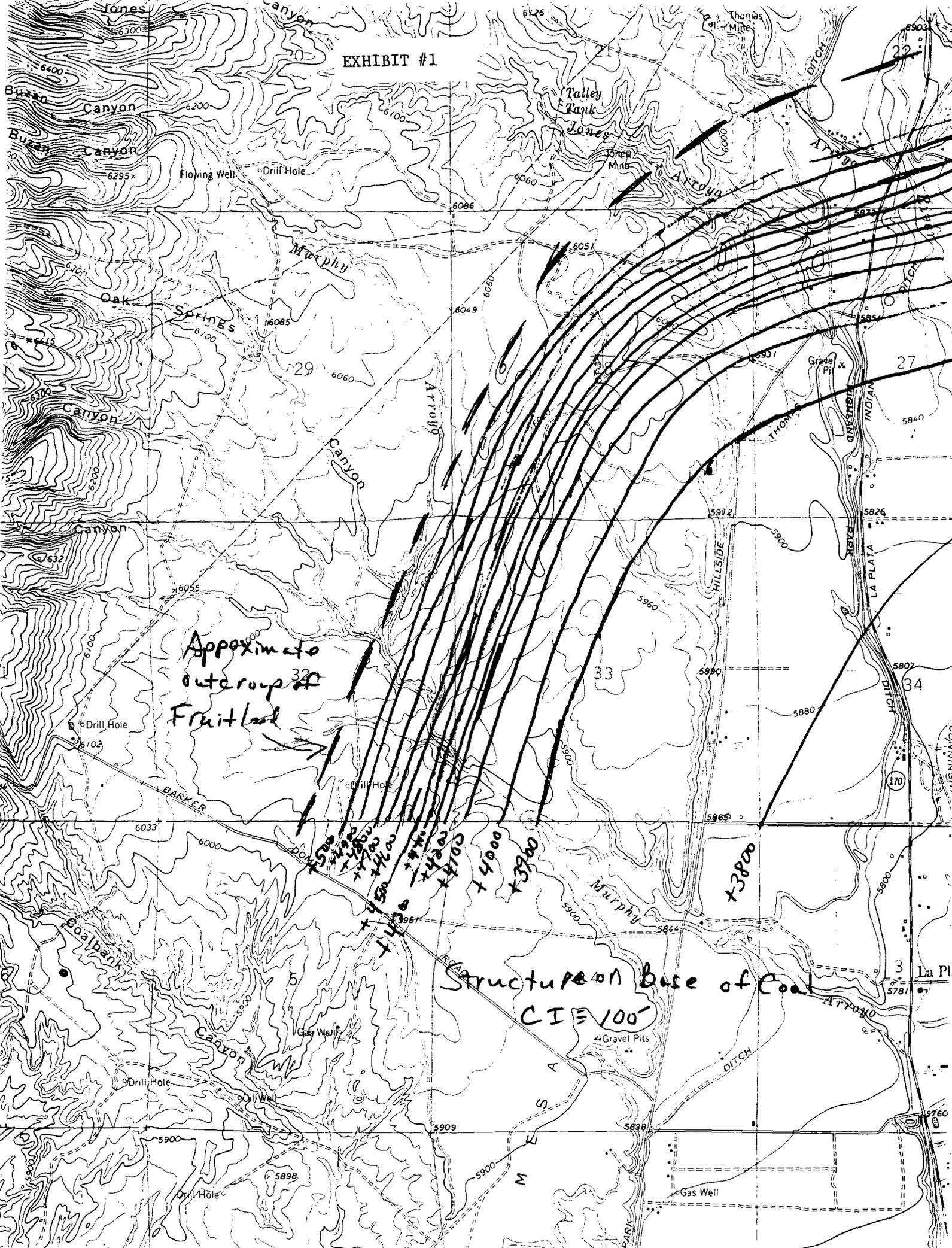
Sincerely,

A handwritten signature in black ink that reads "Paul C. Thompson". The signature is fluid and cursive, with a horizontal line at the end.

Paul C. Thompson, P.E.
President, Thompson Engineering

cc: Chris Coleman
NMOCD Aztec NM
BLM Farmington NM

EXHIBIT #1

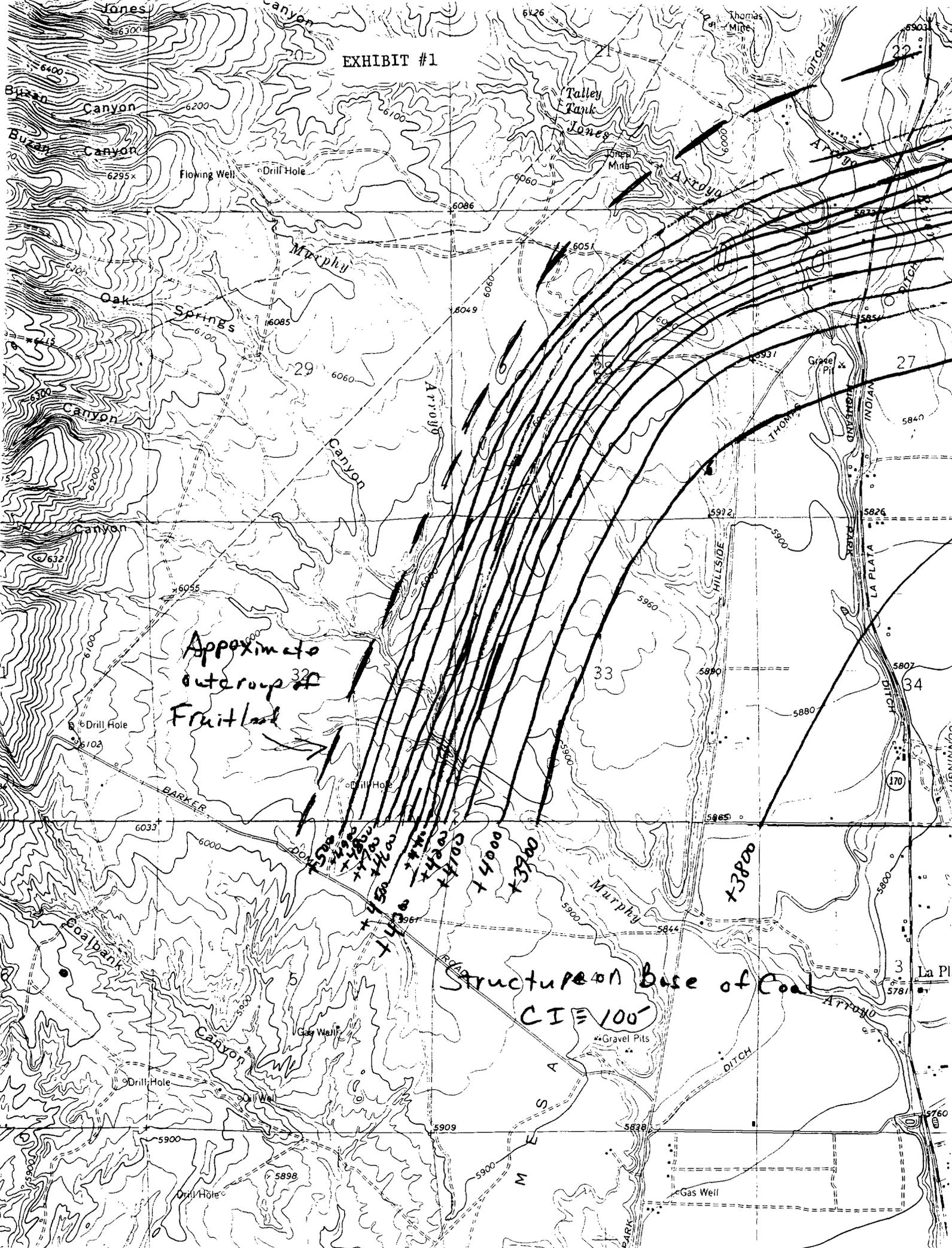
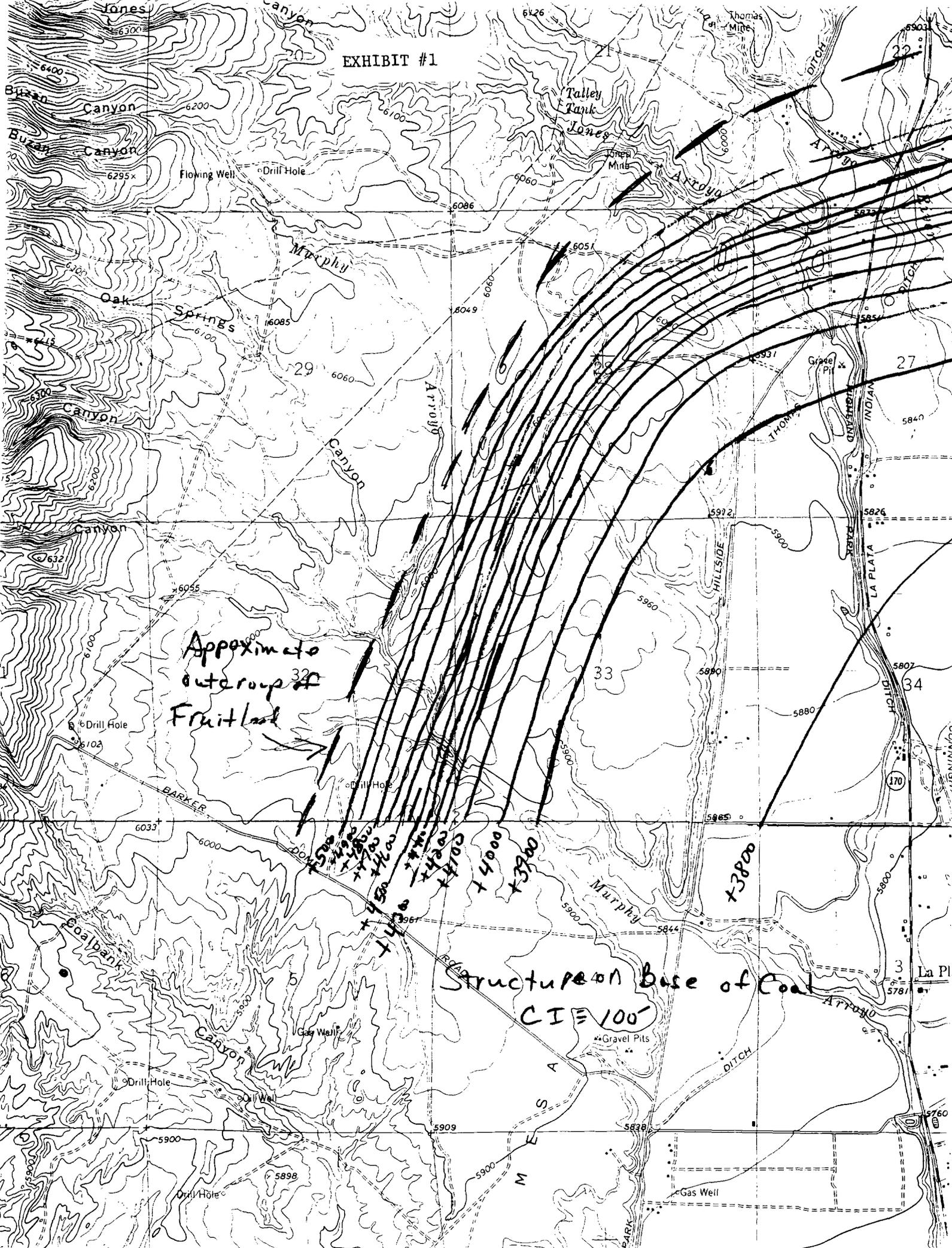
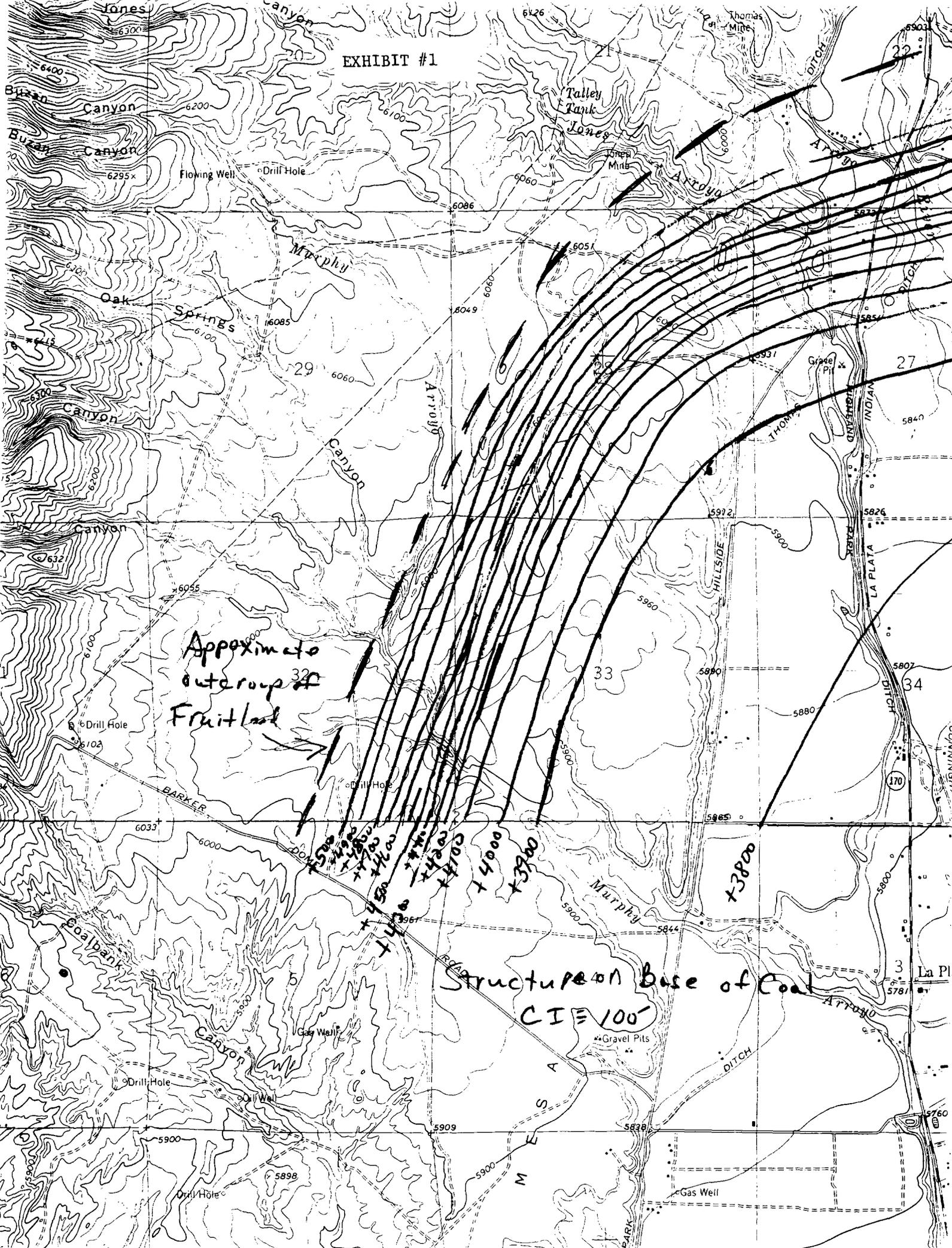


Approximate outcrop of Fruitland

Structure on Base of Coal
C I = 100

+3500
+3600
+3700
+3800
+3900
+4000
+4100

+3800



District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1008 Nio Branso Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code	* Pool Name
		71629	Basin Fruitland Coal
* Property Code	* Property Name		* Well Number
	Steward Com		1
* OGRID No.	* Operator Name		* Elevation
037581	THOMPSON ENGINEERING & PRODUCTION CORPORATION		5983'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
P	28	32N	13W		790	South	790	East	S.J.

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
320	N	C	Pending

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁷ OPERATOR CERTIFICATION

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

Paul C. Thompson
 Signature
 Paul C. Thompson
 Printed Name
 President
 Title
 12/17/96
 Date

¹⁸ 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 belief.

10/11/96
 Date of Survey
 Signature and Seal of Professional Surveyor:

 Certificate Number

EXHIBIT #3

20	21	22
29	28 ● THOMPSON TEXAKOMA △	27 MEAD 1-27 △ F. MONTOYA 27-1 △ HALLWOOD HALLWOOD
32	33 △ 33-1	34 ROBINSON BROS. 1M △

T32N

R13W

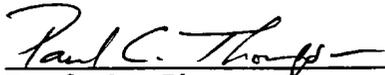
Thompson Engineering & Production Corp.
Steward Com #1
790' FSL, 790' FEL
Section 28, T32N R13W
San Juan County, New Mexico

The following offset operators have received written notice of the proposed Non- Standard location application.

Texakoma Oil and Gas Corporation
5400 LBJ Freeway, Suite 500
Dallas, TX 75240-6236

Hallwood Energy Company
463 Turner Dr., Unit 101
Durango, CO 81301

I certify that this letter has been mailed to the above property owners.



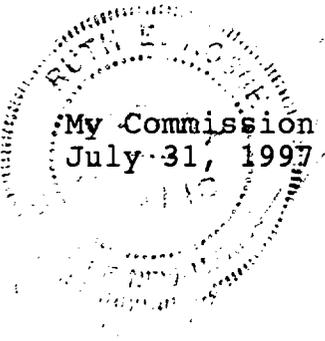
Paul C. Thompson

San Juan County)
) ss
State of New Mexico)

The following instrument was acknowledged before me this 23 rd day of December, 1996 by Paul C. Thompson.



Notary Public



My Commission Expires:
July 31, 1997

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892~~CERTIFIED RETURN RECEIPT~~

December 23, 1996

Mr. David Williams
Texakoma Oil and Gas Corporation
5400 LBJ Freeway, Suite 500
Dallas, TX 75240-6236

Re: Non-Standard Spacing Unit
Thompson Engineering
Steward Com #1
790' FSL, 790' FEL
Section 28, T32N R13W
San Juan County, NM
Basin Fruitland Coal

Dear Mr. Williams,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As an offset operator you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Mr. William J. LeMay, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.
President, Walsh Enginggring



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892

~~CERTIFIED RETURN RECEIPT~~

December 23, 1996

Mr. Jim Bonaventura
Hallwood Energy Company
463 Turner Dr., Unit 101
Durango, CO 81301

Re: Non-Standard Spacing Unit
Thompson Engineering
Steward Com #1
790' FSL, 790' FEL
Section 28, T32N R13W
San Juan County, NM
Basin Fruitland Coal

Dear Mr. Bonaventura,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As an offset operator you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Mr. William J. LeMay, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.
President, Walsh Enginggring

TEXAKOMA OIL & GAS CORPORATION

ONE LINCOLN CENTRE
5400 LBJ Freeway, Suite 500
Dallas, Texas 75240
(214) 701-9106

EXPLORATION AND PRODUCTION

January 6, 1997

Mr. William J. LeMay
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504-2088

Re: Non-Standard Spacing Unit
Thompson Engineering
Steward Com #1
790' FSL, 790' FEL
Section 28, T32N R13W
San Juan County, NM
Basin Fruitland Coal

RECEIVED
JAN 10 1997
OIL CONSERVATION DIVISION

Dear Mr. LeMay,

This letter is written in response to a letter we received from Walsh Engineering & Production Corporation dated 12-23-96 (but not received until 01-02-97 by registered mail). In the subject letter, they requested administrative approval for a Non-Standard Spacing Location in the Basin Fruitland Coal pool for the above referenced well. They stated that the request was necessitated for geologic reasons.

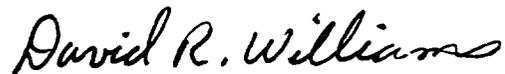
We are strongly opposed to the approval for this Non-Standard Location for the following reasons. First and foremost the location is only 1580 feet away from our existing La Plata 33-2 well. If this well, were drilled at the requested location, it would in effect be a 57 acre offset to our existing well, which was drilled at a Standard Location (See Table I). We believe that a well at this location would significantly reduce the reserves produced by our La Plata 33-2 well. The current debate within the industry, as I am sure you are aware of, is whether to allow a second well on each 320 acre unit (effectively reducing spacing to 160 acres - 2640 feet between wells).

In addition we do not believe a geologic necessity exists to warrant the approval of this Non-Standard Location. In Mr. Thompson's letter to your office he stated, " A Fruitland Coal completion in a standard location in the northeast quarter would be to close to the outcrop and not, in our opinion result in an economic well." Exhibit I, is a copy of a USGS topographic map, showing both the proposed Non-Standard Location and an alternate legal location in the northeast quarter. Exhibit II, is a copy of our (Texakoma Oil & Gas) structure map on the base of the Fruitland Coal. At the Non-Standard Location we would expect the depth to the base of the

Fruitland Coal to be approximately 1975 feet and the distance from the outcrop to be approximately 3980 feet. At the alternate Standard Location, we would expect the depth to the base of the Fruitland Coal to be approximately 1480' and the distance from the outcrop to be approximately 2980'. Several economic wells have been drilled in Colorado that are shallower than 1480 feet to the base of the Fruitland Coal and closer than 2980 feet from outcrop. As a matter of fact Texakoma Oil & Gas La Plata 5-1 well, located approximately 1 1/2 miles southwest of this proposed location, is only approximately 2520 feet from the outcrop. We believe the La Plata 5-1, when dewatering has occurred, will be a very good well, based upon an excellent micro-log (indicating good permeability) and on current production of 20 MCFPD and 60 to 80 BWPD.

We therefore, request that this Non-Standard Location not be approved.

Sincerely,

A handwritten signature in cursive script that reads "David R. Williams".

David R. Williams, P.E.
Manager of Engineering
Texakoma Oil & Gas Corp.

DRW/db

TABLE I

**COMPARISON OF WELL DENSITIES
(SPACING) TO DISTANCE APART
(WELL TO WELL)**

ACRES	AREA MILLION FT ²	DISTANCE APART FEET
640.0	27.8784	5280'
320.0	13.9392	3734'
160.0	6.9696	2640'
80.0	3.4848	1867'
57.3	2.4964	1580'
40.0	1.7424	1320'
20.0	0.8712	933'
10.0	0.4356	660'

