



JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

May 5, 1993

Hinkle, Cox, Eaton, Coffield & Hensley
P. O. Box 2068
Santa Fe, New Mexico 87504-2068

Attn: Mr. James Bruce

Re: Ceja Pelon Unit Area
Sandoval County, New Mexico

Dear Mr. Bruce:

This office is in receipt of your letter of April 29, 1993 wherein you have requested the Commissioner's position regarding preliminary approval of the Ceja Pelon Unit Area, Sandoval County, New Mexico.

Please be advised that the Commissioner of Public Lands feels that it is not in the best interest of the State to commit Lease No. LG-2849, All Sec. 36-T21N-4W containing 640.00 Acres to the unit agreement at this time.

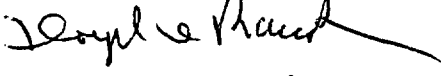
We would like to take the opportunity to thank UnitSource (out of Denver), and the Gary-Williams Company for their cooperation regarding the proposed unit.

Please notify all interested parties of this action.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.

cc: Reader File
UnitSource-Attn: Mr. Paul S. Conner w/encl
The Gary-William Company
BLM-Albuquerque, NM Attn: Ms. Jane Clancy
OCD-Attn: Mr. Michael Stogner



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ALBUQUERQUE DISTRICT OFFICE
435 MONTANO N.E.
ALBUQUERQUE, NEW MEXICO 87107



3100 (015)

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

APR 23 1993

Dear Mr. Stogner:

Attached, for informational purpose, is a copy of The BLM unit designation letter for the proposed Ceja Pelon Unit in Sandoval County. This designation is pertinent to NMOCD cases 10714 and 10715 heard by the Commission on April 22, 1993.

Case 10714 requests State approval of the Ceja Pelon exploratory unit and Case 10715 requests approvals associated with drilling on a nonstandard proration spacing. As indicated in the designation letter, the Bureau has reviewed the geologic data submitted by the applicant, Gary Williams and Associates, and agrees that the area is suited for unitization. Final approval will be granted pending fulfillment of administrative requirements of the applicant.

Case 10714 involves a spacing exception for the Ceja Pelon well #27-4, proposed as a horizontal well intended to test reservoir potential in the Lower Mancos Shale. The requested spacing configuration includes 4 federal leases and portions of 4 sections. Although this configuration has merit from a technical standpoint, administratively it creates a situation of self perpetuating spacing exceptions as future development attempts to accommodate the 27-4 spacing. Unitization of the area should lessen the administrative burden of this spacing exception. However, depending on the productive capability of the well, the area may or may not qualify for participation in the unit. If, the well does not qualify as a unit well, unitization of the area will not resolve the administrative problems of the requested nonstandard spacing. However, in an effort to maximize oil recovery in the most efficient manner, the BLM District Office supports approval of Case 10714 on the condition that the proposed Ceja Pelon Unit attains final approval.

We appreciate the opportunity to work with the State agencies on these proposed actions and encourage you to contact Jane Clancy (505 761-8760) of this office with any questions.

cc:RPRA
Land Comm. Ut., NM-84682



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ALBUQUERQUE DISTRICT OFFICE
435 MONTANO N.E.
ALBUQUERQUE, NEW MEXICO 87107



3180 (015)
Ceja Pelon Ut

APR 20 1993

Unitsource Incorporated
1050 - 17th Street, Suite 705
Denver, Colorado 80265

Re: Designation of the Ceja Pelon Unit Area and the Determination
of Test Well Depth

Mr. Conner:

Your application of March 30, 1993, filed with the Albuquerque District BLM Office, requests the designation of 24,335.43 acres, more or less, in Sandoval County, New Mexico, as logically subject to exploration and development under unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations 43 CFR Part 3180, the land requested, as outlined on your map marked "Figure 1, Gallup "B" Structure Map" is hereby designated as a logical unit area.

The unit agreement to be submitted for the area designated should provide for a horizontal well to test the Semilla Sandstone Member of the Mancos Shale or to a depth of 5250 vertical feet. Your proposed use of the Form of Agreement for Unproven Areas at 43 CFR 3186.1 modified as shown in your application, will be accepted.

If conditions are such that further modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any other type land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified only as described above, will be approved if submitted in a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

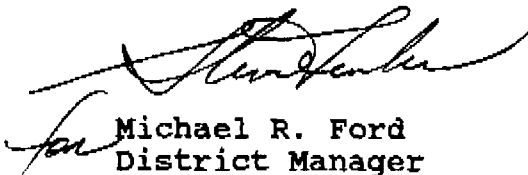
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Please include the latest land status of all acreage when the executed agreement is submitted for final approval. The format of the sample exhibits attached to the model unit agreement (43 CFR 3186.1) should be followed closely in the preparation of Exhibits A and B. A minimum of 3 copies of the executed agreement should be submitted with your request for final approval.

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the State Land Commissioner and we hereby request that you contact the State promptly in connection with this letter before soliciting joinders.

Please contact Jane Clancy at (505) 761-8760 if you have any questions regarding this action.

Sincerely,



Michael R. Ford
District Manager

cc: Commissioner of Public Land

FAX TRANSMITTAL SHEET

Date: Apr. 23, 1993Deliver To: Mike StognerTelecopier Number: 827-5741Office Code: NMOCD

Location: _____

From: Jane Clancy

Office Code: _____

Phone Number: 761-8760

Bureau of Land Management, Albuquerque District Office
435 Montano NE, Albuquerque, NM 87107
Telecopier Number: (505)761-8911, FTS 8-479-8911

Operator: _____

Number of Pages (including Transmittal Sheet): 4**COMMENTS:**

I'll send a copy to
Pete Martinez



HINKLE, COX, EATON, COFFIELD & HENSLEY

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May 20, 1993

Via Hand Delivery

Michael E. Stogner
New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico

Re: Cases 10714 and 10715

Dear Mr. Stogner:

Enclosed are the following:

1. A proposed order in Case 10714 (regarding formation of the unit). With respect to proposed Special Operating Rule 2 on the size and shape of well units, paragraphs (a)-(d) are taken from Order R-9330, as amended, on the San Isidro (Shallow) Unit. Paragraph (e), presented as two alternatives, is drafted to encompass Gary-Williams' request to allow formation of units composed of contiguous quarter-quarter sections. If paragraph (e) is incorporated into the order, I do not know if paragraphs (a)-(d) are strictly necessary. However, I wanted to present all alternatives to you.

Also, if paragraph (e) is used in the final order, it may be useful to include language such as the following:

Spacing and proration units formed pursuant to paragraph (e) shall be formed such that no gaps or windows exist between adjoining units, so that no quarter-quarter sections are isolated or omitted from a well unit.

2. A proposed order in Case 10715 (regarding the initial unit well). Gary-Williams recognizes that the shape of the

Rec. 5/20/93

requested well unit is unusual, and is willing to abide with whatever shape unit is prescribed by the Division, so long as it is authorized to cross the section line, which it believes is geologically necessary.

3. The original Affidavit submitted as Exhibit 10 at this morning's hearing. I forgot to bring the original with me.

Your prompt consideration of these matters is greatly appreciated. As you know, Gary-Williams must spud the well by May 31, 1993, and as a result, if the initial unit well is to be approved, we would like to know as soon as possible so that Gary-Williams can begin building location. The BLM has informed Gary-Williams that it cannot begin site work unless the Division approves the well.

Please call me if you need anything further in these cases.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

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