

BANNON ENERGY INCORPORATED

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

RECEIVED

AUG 25 1989

OIL CONSERVATION DIV.
SANTA FE

August 23, 1989

Mike Stogner
Energy and Minerals Dept.
Oil Conservation Division
310 Oil Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

Calder Formation

Re: Unorthodox Location and Density Exceptions
Grace Federal 24-1R
330' FNL x 2130' FWL
Rio Arriba County, New Mexico

9799

Dear Mr. Stogner

This letter and accompanying attachments are presented for OCD approval allowing a necessary second well on a 160 oil proration unit and an unorthodox location exception for the referenced well.

The Grace Federal 24-1R has been staked at a location 330' FNL and 2130' FEL to obtain, within topographic restrictions, a location allowing for maximum well spacing in the NW/4 Section 24-T24N-R7W, Rio Arriba County, New Mexico.

The original well, Grace Federal 24-1 was drilled and completed on July 23, 1980, through Mayre 1 and Mayre 2 sand perforations. Recovery through 1988 was 3758 BO and 55.1 MMCFG. This well has been temporarily abandoned with permanent abandonment procedures to commence before September 15, 1989.

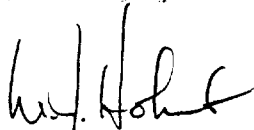
The Grace Federal 24-2 was drilled in December, 1988, with first delivery occurring in January 1989. Performance on this well is consistent with offset well data indicating a ϕ_h distribution of 1.67 which results in an OOIP of + 7650 BO per acre. Using 160 acre spacing the OOIP should approximate 1,224,000 BO. We believe that a combination drive of solution gas and/or secondary gas cap expansion exist. In either case, we expect a 15% recovery, perhaps as low as 10%. Utilizing the 10% value results in 122,000 BO per well spaced on 160 acres. Not allowing for lateral pay discontinuities and vertical heterogeneity. To date, offset recoveries, on a per well basis, range from a low of 1500 BO to a high of 90,000 BO. Gas-oil ratios on offset wells range from + 8000:1 to a high of 40,000:1, both within industry recognized limits of producing oil wells.

It is our opinion that to economically recover existing resources, additional development in this quarter section will be required. As I have pointed out previously, we have applied for a permit to drill the replacement well; Grace Federal 24-1R. The staked location provides optimum wellbore spacing differential at an economical cost due to terrain restraints.

Offset operators have been notified of this intention as evidenced by the attached letters requesting Certified Return Receipts.

We would appreciate your prompt cooperation in approving this plan.

Very truly yours



W. J. Holcomb
Operating Agent
Bannon Energy, Inc.

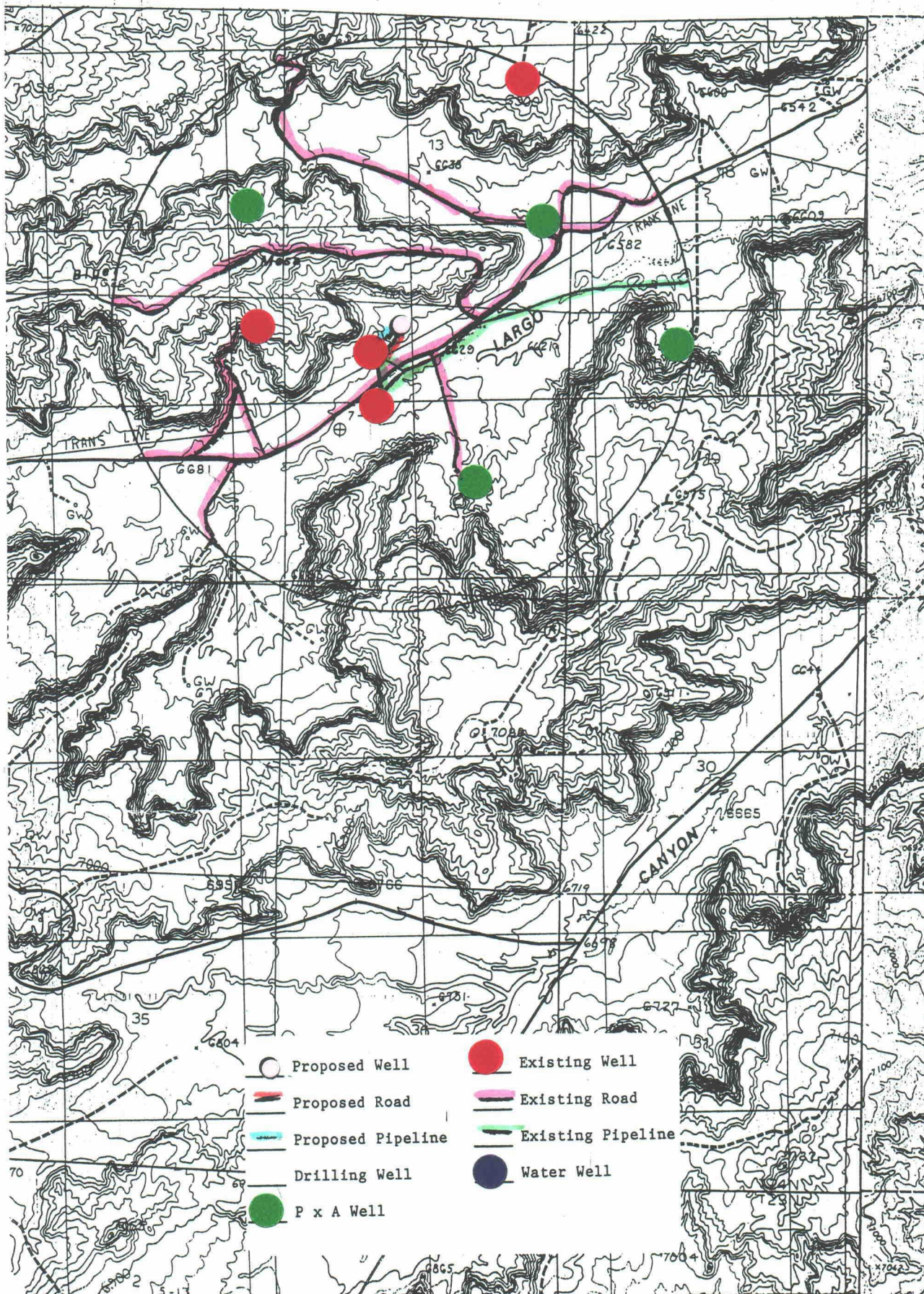
WJH:ck

Attachments



- Offsets
- Reason for Top Request
Supporting Data
- Appears to be 500/1000'

Grace Federal, 24-1R
 330' FNL, 2130' FWL
 Sec. 24 T24N R7W NMPM
 Rio Arriba Co., NM



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August 24, 1989

Flag-Redfern Oil Company
1200 Wall Towers W.
Box 11050
Midland, Texas 79702

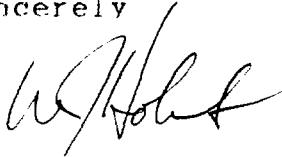
Re: Unorthodox Location and Density Exception
Grace Federal 24-1R
330' FNL x 2130' FWL
Rio Arriba County, New Mexico

This letter is to notify you of Bannon Energy, Inc.'s application for permit to drill the Grace Federal 24-1R at a non-standard location as stated above. Additionally, we feel a second well on the 160 acre proration unit is required to economically produce the recognized resource base.

The Grace Federal 24-1R is to be drilled as a replacement well for the Grace Federal 24-1 which will be abandoned on or about September 15, 1989.

Should you have any questions regarding this matter, please call Brad Salzman at this office, (505) 326-0550.

Sincerely



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WJH/ck

RETURN RECEIPT REQUESTED

BANNON ENERGY INCORPORATED

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

August 24, 1989

BCO
135 Grant
Santa Fe, New Mexico 87501

Re: Unorthodox Location and Density Exception
Grace Federal 24-1R
330' FNL x 2130' FWL
Rio Arriba County, New Mexico

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W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WJH/ck

RETURN RECEIPT REQUESTED

BANNON ENERGY INCORPORATED

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

August 24, 1989

J. A Cole Production
P.O. Box 191
Farmington, New Mexico 87499

Re: Unorthodox Location and Density Exception
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Rio Arriba County, New Mexico

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Sincerely,



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WJH/ck

RETURN RECEIPT REQUESTED

HOLCOMB OIL AND GAS

P.O. Box 20525 • El Paso (505) 326-0550 • Albuquerque, New Mexico 87499

August 28, 1989

RECEIVED
AUG 29 1989
OIL CONSERVATION DIV.
SANTA FE


RCO
135 Grant
Santa Fe, New Mexico 87501

Re: Unorthodox Location and Density Exception
Grace Federal 24-1R
330' FNL x 2130' FWL
NW/4 Sec. 24, T24N-R7W
Rio Arriba County, New Mexico

The letter dated August 24, 1989 informing you of Bannon Energy's application for permit to drill in an unorthodox location omitted the specific location of Grace Federal 24-1R. The location is NW/4 Sec. 24, T24N-R7W.

Should you have any questions regarding this matter, please call Brad Salzman at this office, (505) 326-0550.

Sincerely


W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WJH/ck

cc: Mike Stogner
Santa Fe, NM

HOLCOMB OIL AND GAS

Box 2058 • Phone (505) 326-0550 • Farmington, New Mexico 87499

August 28, 1989

Flag-Redfern Oil Company
1200 Wall Towers W.
Box 11050
Midland, Texas 79702

Re: Unorthodox Location and Density Exception
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Bannon Energy, Inc.

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cc: Mike Stogner
Santa Fe, NM



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