

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

GARREY CARRUTHERS
GOVERNOR

January 2, 1990

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

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

Attention: W.J. Holcomb
Operating Agent

9858

*RE: Unorthodox Oil Well Location and
Simultaneous Dedication, Federal "8"
Well No. 2; 351' FSL - 2171' FEL,
O-8-T23N-R6W, Counselors Gallup
Oil Pool, Rio Arriba County, New
Mexico.*

Dear Mr. Holcomb:

Upon considering your reply to my letter dated December 4, 1989, there is insufficient reason for us to consider this filing for administrative approval any further. This application will therefore be set to hearing at the next available Examiner Hearing scheduled for January 24, 1990.

Please provide sufficient notice as required by General Rule 1207 for this matter.

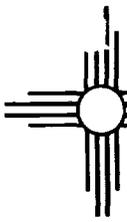
Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Aztec
William J. LeMay
US Bureau of Land Management - Farmington
Bannon Energy, Inc. - Houston



HOLCOMB OIL AND GAS

OIL CONSERVATION DIVISION

RECEIVED

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

89 DEC 14 AM 9 15

December 11, 1989

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

Re: Approval of Non Standard Location - Federal 8-2
Section 8, T23N-R6W
351' FSL x 2171' FEL
Counselors Gallup Dakota
Rio Arriba County, New Mexico

Dear Mr. Stogner

We recognize the other options available as suggested in your letter of December 4, 1989. However, Bannon Energy, Inc. wishes to drill in the previously requested quarter-quarter section.

Your attention to this continuing request for an unorthodox location would be appreciated.

Sincerely

W. J. Holcomb

WJH/ck

cc: Oil Conservation Division - Aztec
US Bureau of Land Management
Bannon Energy, Inc. - Houston



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

GARREY CARRUTHERS
GOVERNOR

December 4, 1989

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

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

Attention: W.J. Holcomb
Operating Agent

*RE: Unorthodox Oil Well Location and
Simultaneous Dedication, Federal "8"
Well No. 2; 351' FSL - 2171' FEL,
O-8-T23N-R6W, Counselors Gallup
Oil Pool, Rio Arriba County, New
Mexico.*

Dear Mr. Holcomb:

Upon reviewing the supplemental information provided us in your letter dated December 1, 1989, on the subject unorthodox oil well location, it appears that you have adequately shown why a well can not be located within the 330-foot by 330-foot square designating an orthodox oil well location for the subject pool in the SW/4 SE/4 of Section 8. However, there exists three more such orthodox windows in the proposed 160-acre spacing unit, one in each of the remaining quarter-quarter sections.

Please address this issue.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael E. Stogner".

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
Bannon Energy, Inc. - Houston

HOLCOMB OIL AND GAS

OIL CONSERVATION DIVISION

RECEIVED

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

89 DEC 4 AM 9 39

December 1, 1989

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

Re: Unorthodox Oil Well Location - Federal 8-2
Section 8, T23N-R6W
351'FSL x 2171' FEL
Counselors Gallup Oil Pool
Rio Arriba County, New Mexico

Dear Mr. Stogner

I am in receipt of your letter dated November 27, 1989 where-in you requested additional information on Bannon Energy, Inc.'s application for unorthodox approval on the referenced well. The following paragraphs and supporting attachments are presented to address the questions you posed.

1. "Please submit a detailed map showing the extent of archeological sites Nos. DCA-89-309 and DCA-89-458".

I have enclosed as ATTACHMENT NO. 1 a detailed topographic map contained in the Division of Conservation Archaeology Technical Report No. 1698 prepared by Patricia Walker -Buchanan, dated October 12, 1989. This map not only details those sites specifically requested by your letter, but identifies additional sites.

2. "Also, submit a more detailed analysis stating why this alternate location could not have been placed within the large "orthodox" windows as provided by Rule 4 of Division Order No. R-7034, as amended".

Again, please refer to ATTACHMENT NO. 1, where-in I have shaded the large orthodox window in yellow. As you will observe, this window is substantially consumed by known/previously recorded sites, to the extent that a well location could not be constructed without disturbance.

Moreover, Bannon has worked diligently with both private contractors and the Bureau of Land Management to determine an acceptable location, which would not create undo economic hardships. This work was initiated on July 5, 1989 resulting in three reports ending with Report No. 1740, published on November 16, 1989. During the course of these investigations and meetings it was finally determined that an acceptable location could be achieved if the location was moved southwest.

Re: Unorthodox Oil Well Location - Federal 8-2
Section 8, T23N-R6W
351' FSL x 2171' FEL
Counselors Gallup Oil Pool
Rio Arriba County, New Mexico

Page 2

Again, referring to ATTACHMENT NO. 1, you will observe two survey areas in the SW/4 SE/4 Section 8, both of which represent 600' x 600' square areas. The conclusions, reached by all parties to date, is that the proposed location at 351' FSL and 2171' FEL is the nearest available option.

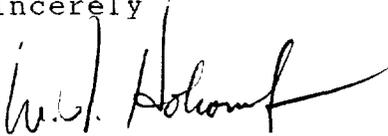
3. "Also indicate on a copy of your ATTACHMENT NO. 2 who all the offset lease belong to".

ATTACHMENT NO. 2 (enclosed) is a reproduction of ATTACHMENT NO. 2 contained in our request for unorthodox approval. Please, note that I have shaded that acreage owned by other parties inclusive of acreage beyond one proration unit. Ownership is detailed in the maps legend.

4. "Finally, what is the status of your Federal "8" Well No. 1 which was the subject of Order NSL-2696 covering the SE/4 of this section".

I have enclosed copies of previously submitted sundry notices, C-104's, etc. as ATTACHMENTS NOS. 3 through 6 which should bring you up to date.

Sincerely



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

Enclosures

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
Bannon Energy, Inc. - Houston

27 1:62,500

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY 4

ATTACHMENT NO. 1

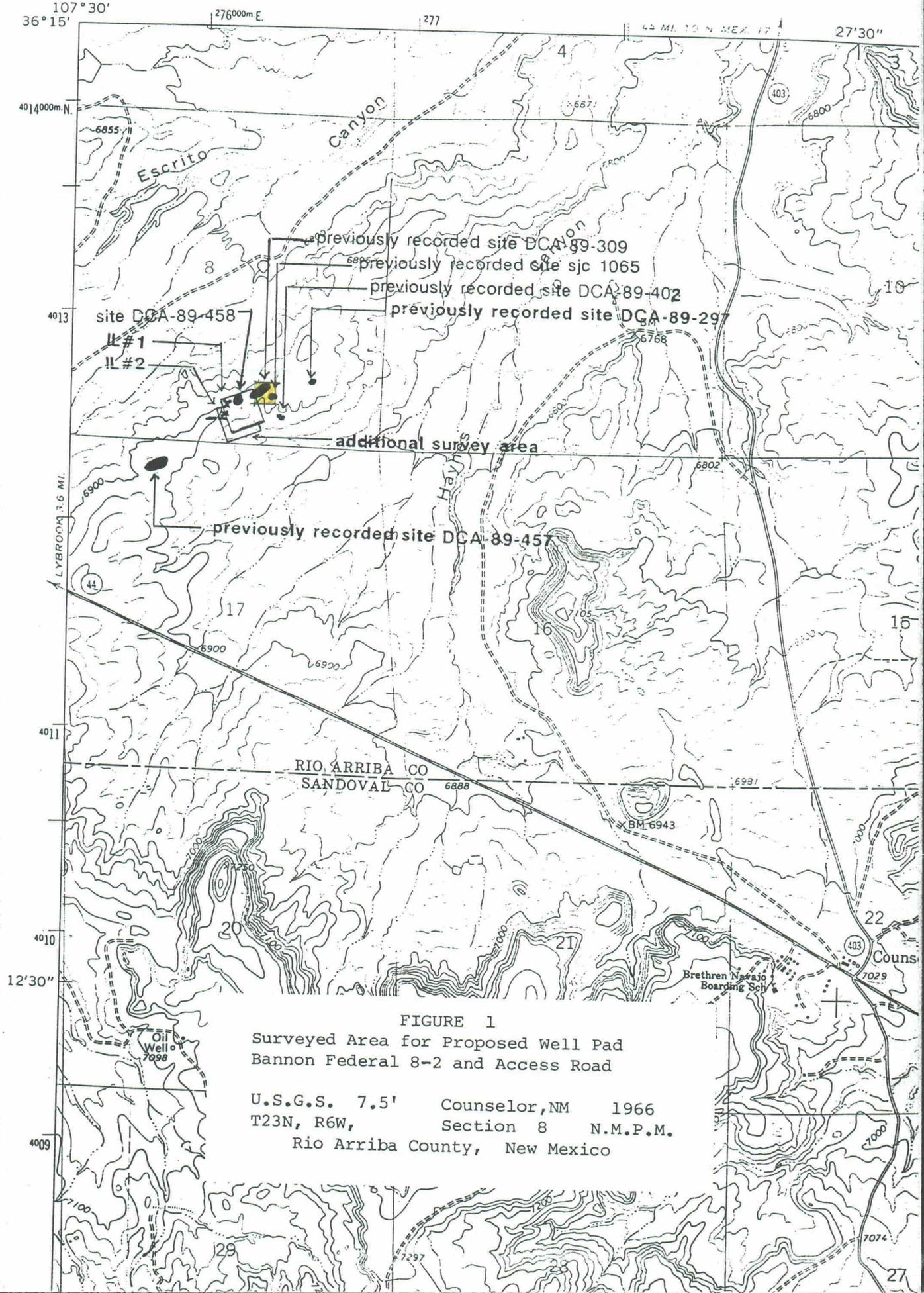


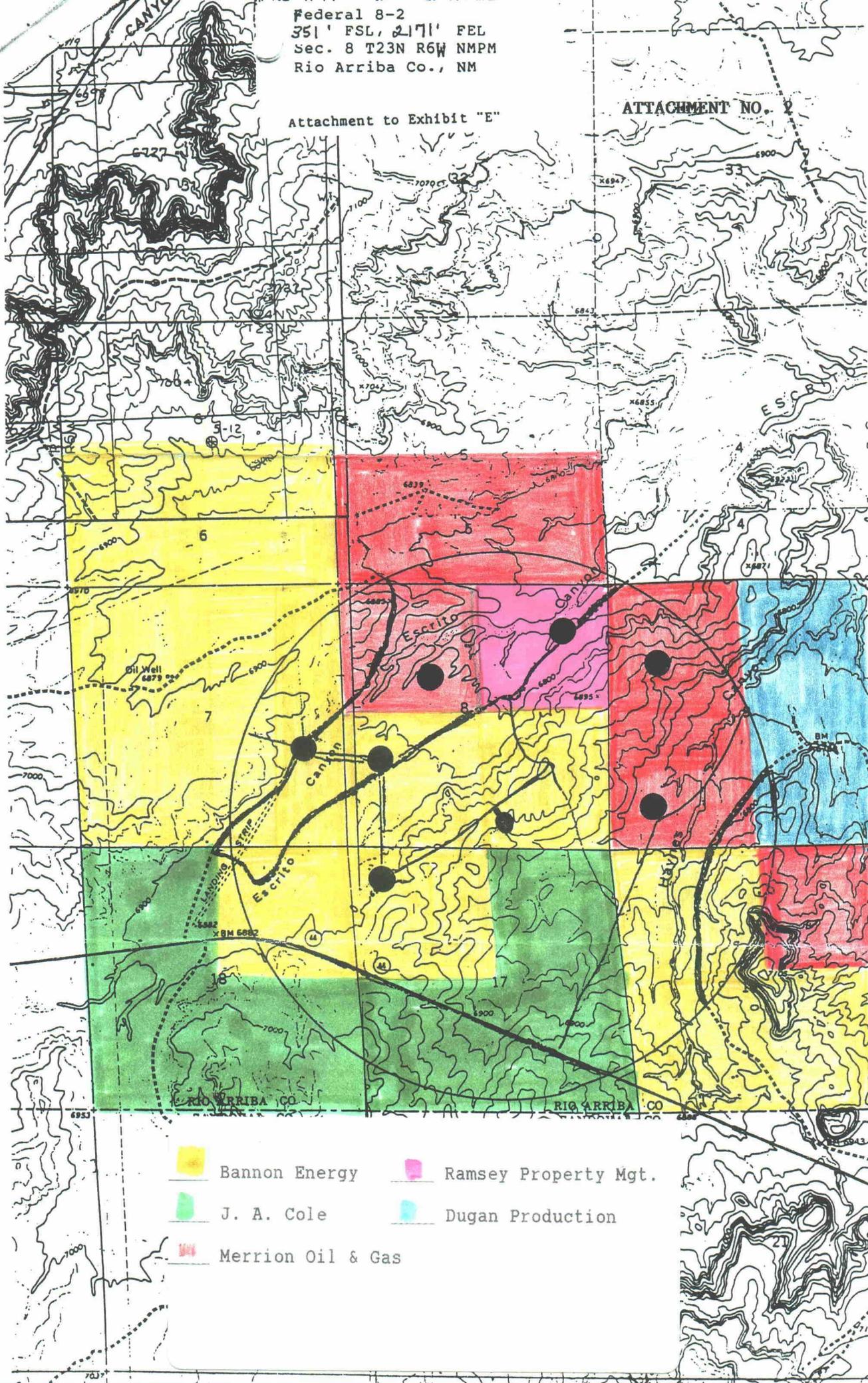
FIGURE 1
Surveyed Area for Proposed Well Pad
Bannon Federal 8-2 and Access Road

U.S.G.S. 7.5' Counselor, NM 1966
T23N, R6W, Section 8 N.M.P.M.
Rio Arriba County, New Mexico

Federal 8-2
351' FSL, 2171' FEL
Sec. 8 T23N R6W NMPM
Rio Arriba Co., NM

Attachment to Exhibit "E"

ATTACHMENT NO. 2



- | | |
|---|--|
|  Bannon Energy |  Ramsey Property Mgt. |
|  J. A. Cole |  Dugan Production |
|  Merrion Oil & Gas | |

Form C-116
Revised 1/1/89

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Submit 2 copies to Appropriate District Office.
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

GAS - OIL RATIO TEST

Operator	Address	Pool		TYPE OF TEST - (X)	SCHEDULED	DAILY ALLOWABLE	LENGTH OF TEST HOURS	Completion			Special	
		Counselors	Gallup Dakota					WATER BBLs.	PROD. DURING TEST GRAV. OIL	OIL BBLs.		GAS M.C.F.
Bannon Energy, Inc.	P.O. Box 2058, Farmington, NM 87499			S								
		WELL NO.	LOCATION	DATE OF TEST	CHOKESIZE	TBG. PRESS.						
			U S T R									
✓ Federal 8		1	8 23N 6W	11-21-89 P	n/a	75	24	0	n/a	80	128	1600
State 16		1	16 23N 6W	11-15-89 P	n/a	170	24	0	n/a	37	169	4568

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

Signature: W. J. Holcomb
Printed name and title: Agent Bannon Energy, Inc.
Date: 11-22-89
Telephone No. 505 326-0550

INSTRUCTIONS:

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Division.
Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.
Report casing pressure in lieu of tubing pressure for any well producing through casing.

(See Rule 301, Rule 1116 & appropriate pool rules.)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

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

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. SF 078359	
2. NAME OF OPERATOR Bannon Energy, Inc. c/o Holcomb Oil & Gas, Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
3. ADDRESS OF OPERATOR P.O. Box 2058, Farmington, NM 87499		7. UNIT AGREEMENT NAME	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface Unit I 2173' FSL and 495' FEL		8. FARM OR LEASE NAME Federal 8	
14. PERMIT NO.		9. WELL NO. 1	
15. ELEVATIONS (Show whether DF, RT, GR, etc.) 6864'		10. FIELD AND POOL, OR WILDCAT Counselors Gallup Dakota	
		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 8 T23N R6W	
		12. COUNTY OR PARISH Rio Arriba	13. STATE NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	** (Other) <u>Casing & cement summary</u>	
(Other) <input type="checkbox"/>		(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)	

17. 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.)*

TD - 5650'. Ran 128 joints, 4 1/2". 11.6 lb. J-55 casing. Measured 5648'. set at 5648'. Float collar - 5613' (KB), Stage collar - 3430 (KB). First stage cemented as follows:

Pump 10 bbls. fresh water, 10 bbls. CaCl² water, 10 bbls. fresh water, 12 bbls. Flocheck-21, 10 bbls. water spacer followed by 300 sacks, (546 cubic ft.) 65-35 pozmix, followed by 100 sx. 50/50 poz (140 cubic feet); 6% 6 1/4 lbs. Gilsonite and 6 lbs. salt per sack. Bumped plug with 1500 psig., open stage tool. Circulated out. Mud flush (no cement). Circulate.

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

SIGNED W. J. Holcomb TITLE Agent, Bannon Energy, Inc. DATE 11-13-89
W. J. HOLCOMB

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____
 CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

(See other instructions on reverse side)

3. LEASE DESIGNATION AND SERIAL NO.

SF 078359

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

Federal 8

9. WELL NO.

1

10. FIELD AND POOL, OR WILDCAT

Counselors Gallup Dakota

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA

Sec. 8 T23N R6W

12. COUNTY OR PARISH

Rio Arriba

13. STATE

NM

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

4. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PUMP BACK DIFF. SKNR. Other _____

2. NAME OF OPERATOR
Bannon Energy, Incorporated

3. ADDRESS OF OPERATOR
c/o Holcomb Oil & Gas Inc PO Box 2058 Farmington NM

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface Unit I 2173' FSL and 495' FEL
At top prod. interval reported below
At total depth same
same

14. PERMIT NO. _____ DATE ISSUED 10-21-89

15. DATE SPCCED 10-19-89 16. DATE T.D. REACHED 10-27-89 17. DATE COMPL. (Ready to prod.) 11-11-89 18. ELEVATIONS (DF, RKB, RT, GR, ETC.)* 6864' GR

20. TOTAL DEPTH, MD & TVD 5650' 21. PLUG. BACK T.D., MD & TVD 5610' 22. IF MULTIPLE COMPL., HOW MANY* _____ 23. INTERVALS DRILLED BY _____ ROTARY TOOLS X CABLE TOOLS _____

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*
Mayre Gallup 1, 2 and 3
26. TYPE ELECTRIC AND OTHER LOGS RUN
Gamma Ray, Caliper, Dinsity

19. ELEV. CASINGHEAD

25. WAS DIRECTIONAL SURVEY MADE

27. WAS WELL CORED
NO

29. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
8 5/8	24#	318	12 1/2	190 sx Cl b	
4 1/2	11.6	5648'	7 7/8	300 sx. 65/35 & 100 sx 50/50 poz	

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
2 3/8	3420'	

31. PERFORATION RECORD (Interval, size and number)

5480-5498'	4 1/2" CBG.
5518-5532'	"
5548-5564'	"

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
5480-5498	104 Bbls. 20-40
5518-5532	1728 Bbls 30#/1000 gal. base fluid & 315,000 #20-40 mesh sd.

33. PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)
11-11-89	gas lift	producing

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BSL.	GAS—MCF.	WATER—BSL.	GAS-OIL RATIO
11-11-89	24	16/64	→	65	245	0	

FLOW, TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BSL.	GAS—MCF.	WATER—BSL.	OIL GRAVITY-API (CORR.)
460	800	→	65	245	0	

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)
Sold
TEST WITNESSED BY
B. W. Salzman

35. LIST OF ATTACHMENTS
Casing & cement summary

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records
SIGNED W. J. Holcomb TITLE Agent, Bannon Energy DATE 11-13-89

*(See Instructions and Spaces for Additional Data on Reverse Side)

Submit 5 Copies
Appropriate District Office
DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-104
Revised 1-1-89
See Instructions
at Bottom of Page

OIL CONSERVATION DIVISION

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

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

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

**REQUEST FOR ALLOWABLE AND AUTHORIZATION
TO TRANSPORT OIL AND NATURAL GAS**

I.

Operator Bannon Energy, Inc. c/o Holcomb Oil & Gas, Inc.	Well API No. 30-039-24554
Address P.O. Box 2058, Farmington, NM 87499	
Reason(s) for Filing (Check proper box) <input type="checkbox"/> Other (Please explain)	
New Well <input checked="" type="checkbox"/>	Change in Transporter of:
Recompletion <input type="checkbox"/>	Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/>
Change in Operator <input type="checkbox"/>	Casinghead Gas <input type="checkbox"/> Condensate <input type="checkbox"/>

If change of operator give name and address of previous operator _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name Federal 8	Well No. 1	Pool Name, including Formation Counselors Gallup Dakota	Kind of Lease State, Federal or Fee	Lease No. SF 078359
Location Unit Letter I : 2173 Feet From The South Line and 495 Feet From The East Line Section 8 Township 23N Range 6W , NMPM, Rio Arriba County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/> Giant Refinery	Address (Give address to which approved copy of this form is to be sent) P.O. Box 9156, Phoenix, AZ 85068	
Name of Authorized Transporter of Casinghead Gas <input checked="" type="checkbox"/> or Dry Gas <input type="checkbox"/> Cole Development Co.	Address (Give address to which approved copy of this form is to be sent) P.O. Box 191, Farmington, NM 87499	
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rge. I 8 23N 6W	Is gas actually connected? When? yes 11-11-89

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input checked="" type="checkbox"/>	Gas Well	New Well <input checked="" type="checkbox"/>	Workover	Deepen	Plug Back	Same Res'v	Diff Res'v
Date Spudded 10-19-89	Date Compl. Ready to Prod. 11-11-89	Total Depth 5650'	P.B.T.D. 5610'					
Elevations (DF, RKB, RT, GR, etc.) 6864' GR	Name of Producing Formation Gallup Mayre	Top Oil/Gas Pay 5480'	Tubing Depth 5520					
Perforations 5480-5498', 5518-5532', 5548-5564'							Depth Casing Shoe 5648'	
TUBING, CASING AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET		SACKS CEMENT				
12 1/2	8 5/8	318		190 sx. C1 B				
7 7/8	4 1/2"	5648		300 sx 65/35 & 100 sx				
	2 3/8	5549		50/50 doz				

V. TEST DATA AND REQUEST FOR ALLOWABLE

OIL WELL (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours.)

Date First New Oil Run To Tank 11-11-89	Date of Test 11-11-89	Producing Method (Flow, pump, gas lift, etc.) Pumping	
Length of Test 24 hrs.	Tubing Pressure 460	Casing Pressure 800	Choke Size 16/64
Actual Prod. During Test	Oil - Bbls. 65	Water - Bbls. 0	Gas - MCF 245

GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

VI. OPERATOR CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

W. J. Holcomb
Signature
W. J. Holcomb Agent
Printed Name
11-13-89 Date
505-326-0550 Telephone No.

OIL CONSERVATION DIVISION

Date Approved _____
By _____
Title _____

INSTRUCTIONS: This form is to be filed in compliance with Rule 1104

- Request for allowable for newly drilled or deepened well must be accompanied by tabulation of deviation tests taken in accordance with Rule 111.
- All sections of this form must be filled out for allowable on new and recompleted wells.
- Fill out only Sections I, II, III, and VI for changes in existing wells.



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

GARREY CARRUTHERS
GOVERNOR

November 27, 1989

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

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

Attention: W.J. Holcomb
Operating Agent

*RE: Unorthodox Oil Well Location,
Federal "8" Well No. 2; 351' FSL -
2171' FEL, O-8-T23N-R6W,
Counselors Gallup Oil Pool, Rio
Arriba County, New Mexico.*

Dear Mr. Holcomb:

The supporting information for the subject application is insufficient at this time. I am still uncertain why there is a need to move this well to an unorthodox well location.

Please submit a detailed map showing the extent of archeological site Nos. DCA-89-309 and DCA-89-458. Also, submit a more detailed analysis stating why this alternate location could not have been placed within the large "orthodox" windows as provided by Rule 4 of Division Order No. R-7034, as amended. Also indicate on a copy of your attachment no. 2 who all of the offset leases belong to.

Finally, what is the status of your Federal "8" Well No. 1 which was the subject of Order NSL-2696 covering the SE/4 of this section.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner".

Michael E. Stogner
Chief Hearing Officer

MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
Bannon Energy, Inc. - Houston

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

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

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

CASE NO. 7619
Order No. R-7034

ORDER OF THE DIVISION

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

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

FINDS:

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

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

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

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

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

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

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

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

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

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

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

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

IT IS THEREFORE ORDERED:

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

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

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

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

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

(COUNSELORS-GALLUP POOL - Cont'd.)

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

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

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

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

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

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

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

IT IS FURTHER ORDERED:

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

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

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

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

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

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

LARGO-GALLUP GAS POOL
Rio Arriba County, New Mexico

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

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

CASE NO. 2761
Order No. R-2462

ORDER OF THE COMMISSION

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

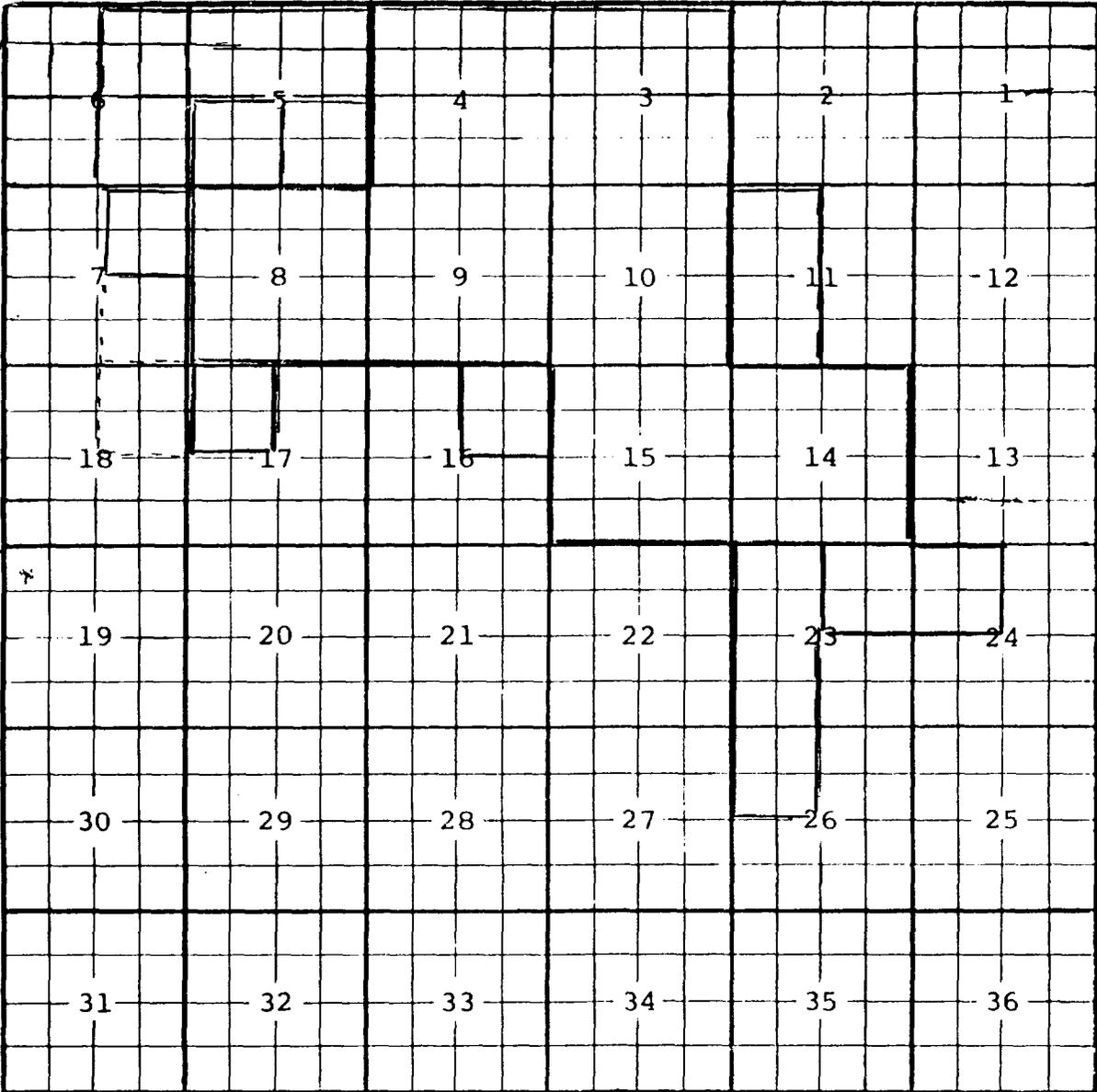
NOW, on this 5th day of April, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

County Rio Arriba Pool Counselors Gallup-Dakota Oil

TOWNSHIP 23 North Range 6 West NMPM



Description: All sections 3 and 4, All sections 8 through 10,
 All sections 14 and 15 (R-7034, 7-28-82) Ext: ^{SE}/₄ Sec. 5 (R-7277, 5-5-83)
 Ext: ^{NE}/₄ Sec. 23, ^{NW}/₄ Sec. 24 (R-7420, 1-9-84)

Extend vertical limits to include Dakota formation and redesignate
 as Counselors Gallup-Dakota Oil Pool (R-7034-A, 4-20-84)

Ext: ^{SW}/₄ Sec. 5, ^W/₂ Sec. 11, ^{NE}/₄ Sec. 16 (R-7764, 1-8-85)

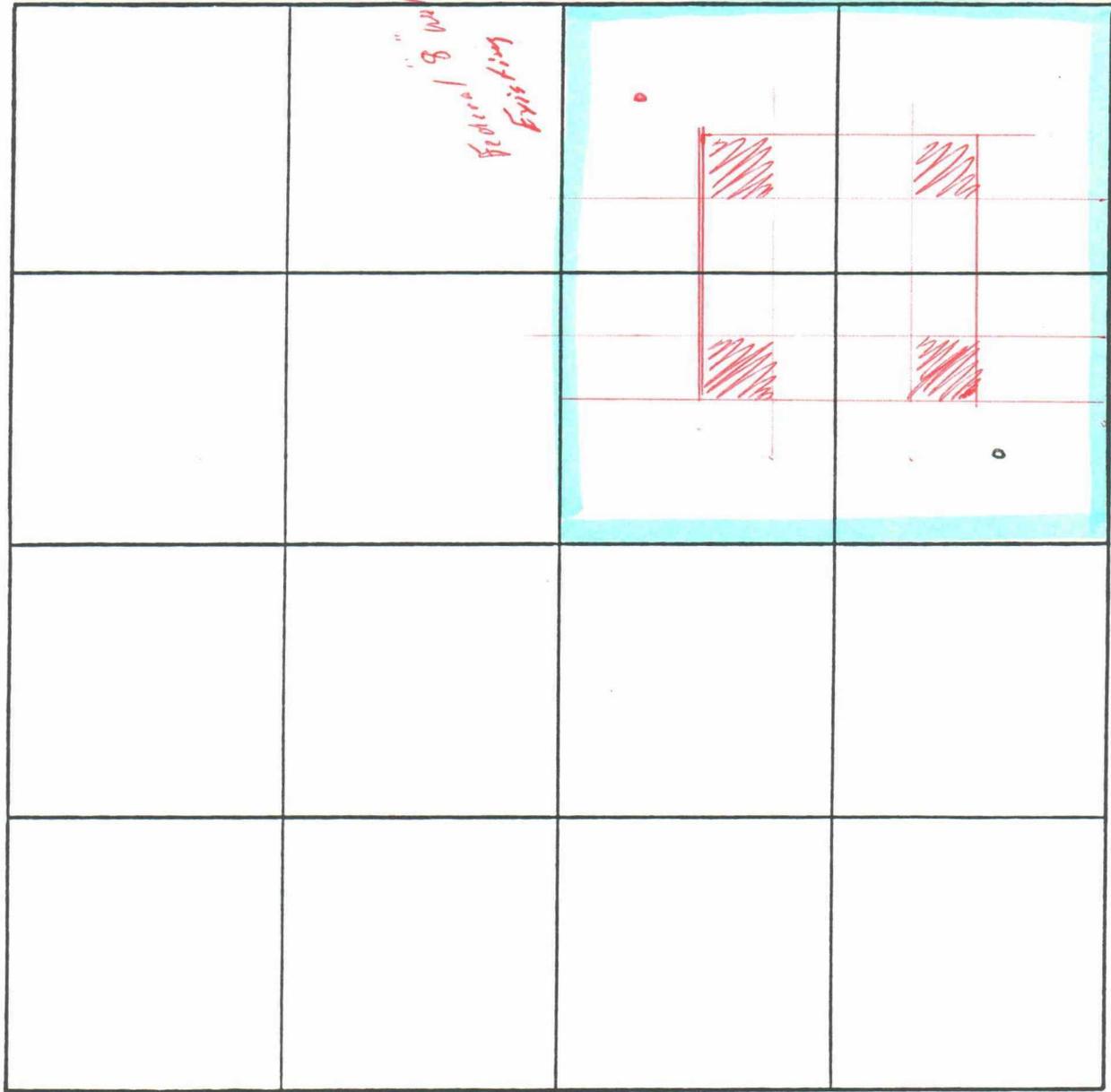
Ext: ^W/₂ Sec. 23, ^{NW}/₄ Sec. 26 (R-7957, 6-12-85)

Ext: ^{NE}/₄ Sec. 7 (R-8180, 3-14-86) Ext: ^N/₂ Sec. 5, ^E/₂ Sec. 6, ^{NW}/₄ Sec. 12
 (R-8273, 8-6-86)

39

33

Standard
640 acre
Section
not other used
in this
1/4 Section



SECTION 8 TOWNSHIP 23 North RANGE 6 West