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W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

July 17, 1990

Mr. William LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED

JUL 17 1990

Re: Application of Nassau Resources, Inc.
for Approval of an Infill Drilling
Program for the Carracas Canyon Unit,
Rio Arriba County, New Mexico

OIL CONSERVATION DIV.
SANTA FE

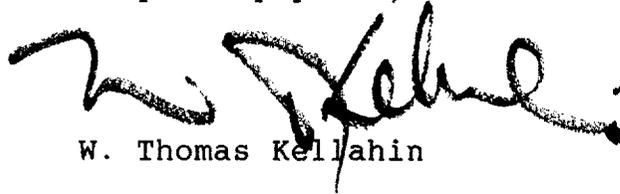
10038

Dear Mr. LeMay:

On behalf of Nassau Resources, Inc. please find enclosed our Application for Approval of an Infill Drilling Program for the Carracas Canyon Unit which we would request be set for hearing on the next available Examiner's docket now scheduled for August 8, 1990.

By copy of this letter to all parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Kent Craig
Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222

Certified mail return-receipt
All parties listed on Exhibit "B"
of Application

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

RECEIVED

IN THE MATTER OF THE APPLICATION OF
NASSAU RESOURCES, INC. FOR APPROVAL
OF AN INFILL DRILLING PROGRAM FOR
THE CARRACAS CANYON UNIT,
RIO ARriba COUNTY, NEW MEXICO

JUL 17 1990
OIL CONSERVATION DIV.
SANTA FE
CASE NO.

10038

A P P L I C A T I O N

Comes now NASSAU RESOURCES INC., by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval of an Infill Drilling Program for the Carracas Canyon Unit to drill, complete and produce infill Fruitland Coal Gas wells within existing 320 acre spacing units within the Carracas Canyon Unit and in support thereof states:

(1) On October 17, 1988 the Division entered Order R-8768 which created the Basin Fruitland Coal Gas Pool and adopted temporary rules and regulations for said pool including Rule 4 which provides for 320 gas well spacing for Fruitland Coal Gas production.

(2) Applicant is the operator of the Carracas Canyon Unit approved by Division Order R-8386 entered effective

December 23, 1986, consisting of 30,351.91 acres, more or less, and including portions of Township 31 North, Range 5 West, Township 32 North Range 4 West and Township 32 North, Range 5 West all as shown on Exhibit A attached and incorporated herein.

(3) Applicant has substantially developed the Carracas Canyon Unit by drilling and completing Basin Fruitland Coal Pool gas wells on 320 acres spacing units.

(4) Available information indicates to the operator that that portion of the Basin Fruitland Coal Gas Pool within the Carracas Canyon Unit can not be effectively and efficiently developed on 320 acre spacing.

(5) Applicant seeks approval to institute an infill drilling program within the Carracas Canyon Unit in order to properly develop that portion of the Basin Fruitland Coal Gas Pool within the Carracas Canyon Unit thereby preventing waste and protecting correlative rights.

(6) An infill drilling program will allow the operator an opportunity under federal unit operations to more adequately develop the Basin Fruitland Coal Gas Pool within the Carracas Canyon Unit.

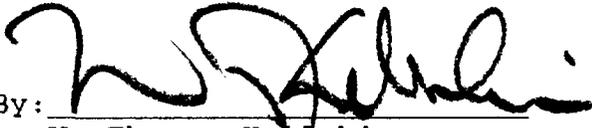
(7) The applicant seeks authority to drill, complete, test and produce an infill Basin Fruitland Coal Gas well within a 320-acre spacing unit in the Carracas Canyon Unit provided said well is located in the quarter section of the spacing unit not containing a Basin Fruitland Coal Gas well.

(8) Applicant has provided notice to all offsetting operators within one-half mile of the outer boundary of the Carracas Canyon Unit by sending each a copy of this application by certified mail return receipt as set forth on Exhibit B herein.

WHEREFORE, applicant requests that this application be set for hearing on the Examiner's docket now scheduled for August 8, 1990 and that after notice and hearing the application be approved as requested.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

ATTORNEYS FOR APPLICANT

EXHIBIT B

Amoco Production Company
P. O. Box 800
1670 Broadway
Denver, CO. 80201
Attn: Production Dept.

Meridian Oil Inc.
P. O. Box 4289
Farmington, N. M. 87499-4289
Attn: Production Dept.

El Paso Natural Gas Company
P. O. Box 1492
El Paso, TX. 79978

U. S. Department of the Interior
Bureau of Land Management
P. O. Box 1449
Santa Fe, N. M. 87504-1449

Dugan Production Corp.
P. O. Box 420
Farmington, N. M. 87499-0420

Mrs. Celeste Grynberg
Grynberg Petroleum
5000 South Quebec, Suite 500
Denver, CO. 80237

Mr. Fred E. Turner
Turner Production Company
4925 Greenville Ave.
Suite 852
Dallas, TX. 75206

CNG Development Company
P. O. Box 15746
Pittsburg, PA. 15244
Attn: Bill E. Waller

Evergreen Resources, Inc.
1512 Larimer, Suite 1000
Denver, CO. 80202
Attn: Production Dept.

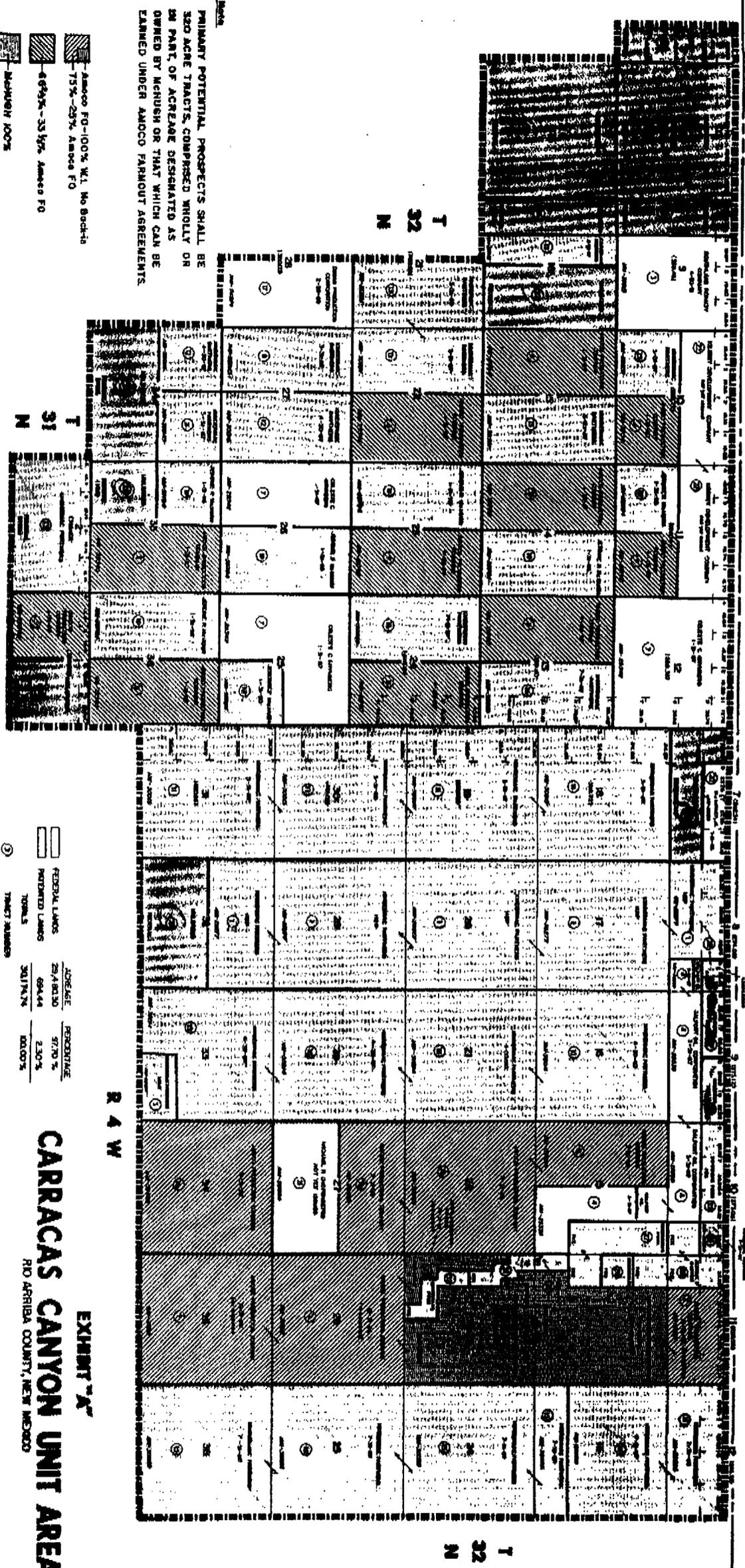
Southern Ute Indian Tribe
Tribal Affairs Building
P. O. Box 737
Ignacio, CO. 81137
Attn: Mr. Marvin Cook

Jicarilla Indian Agency
Oil and Gas Administration
P. O. Box 507
Dulce, N. M. 87528
Attn: Mr. Thurman Velarde

Mitchell Energy & Development
555-17th, Suite 3500
Denver, CO. 80202
Attn: Production Dept.

R 5 W **COLORADO** **SCHEDULE III**

R 4 W



Notes
 PRIMARY POTENTIAL PROSPECTS SHALL BE 320 ACRE TRACTS, COMPRESSED WHOLLY OR IN PART, OF ACREAGE DESIGNATED AS OWNED BY MGRUSH OR THAT WHICH CAN BE EARNED UNDER AMOCO FARMOUT AGREEMENTS.

-  Amoco FO-100% W/L, No Bock-in
-  75%-25% Amoco FO
-  49.99%-33 1/3% Amoco FO
-  MGRUSH 100%
-  Unleased Federal Lands

	ACREAGE	PERCENTAGE
 FEDERAL LANDS	254,803.00	57.70%
 PROSPECTED LANDS	694,444	23.0%
TOTALS	949,247	80.70%
 TRACTS SUBJECT TO UNIT OUTFITTING	341,747	80.00%

SCALE IN FEET
 NOTE: UNLESS OTHERWISE INDICATED, THE BOUNDARY LINES ON THIS MAP CONTAIN ERRORS.

NASSAU RESOURCES, INC.
 DENVER, COLORADO

EXHIBIT "A"
CARRACAS CANYON UNIT AREA
 RIO ARRIPIA COUNTY, NEW MEXICO