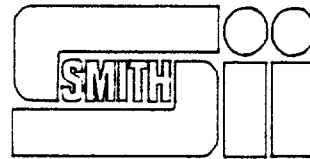


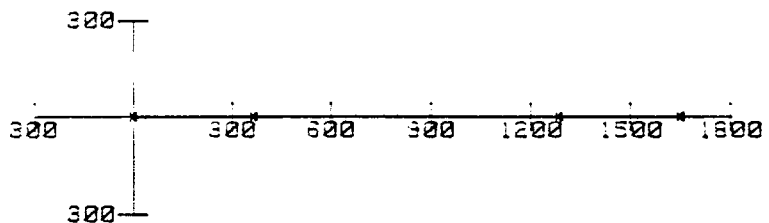
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BLACKWOOD AND NICHOLS
N/E BLANCO #461
SECTION 12-T30N-R8W
SAN JUAN COUNTY NEW MEXICO

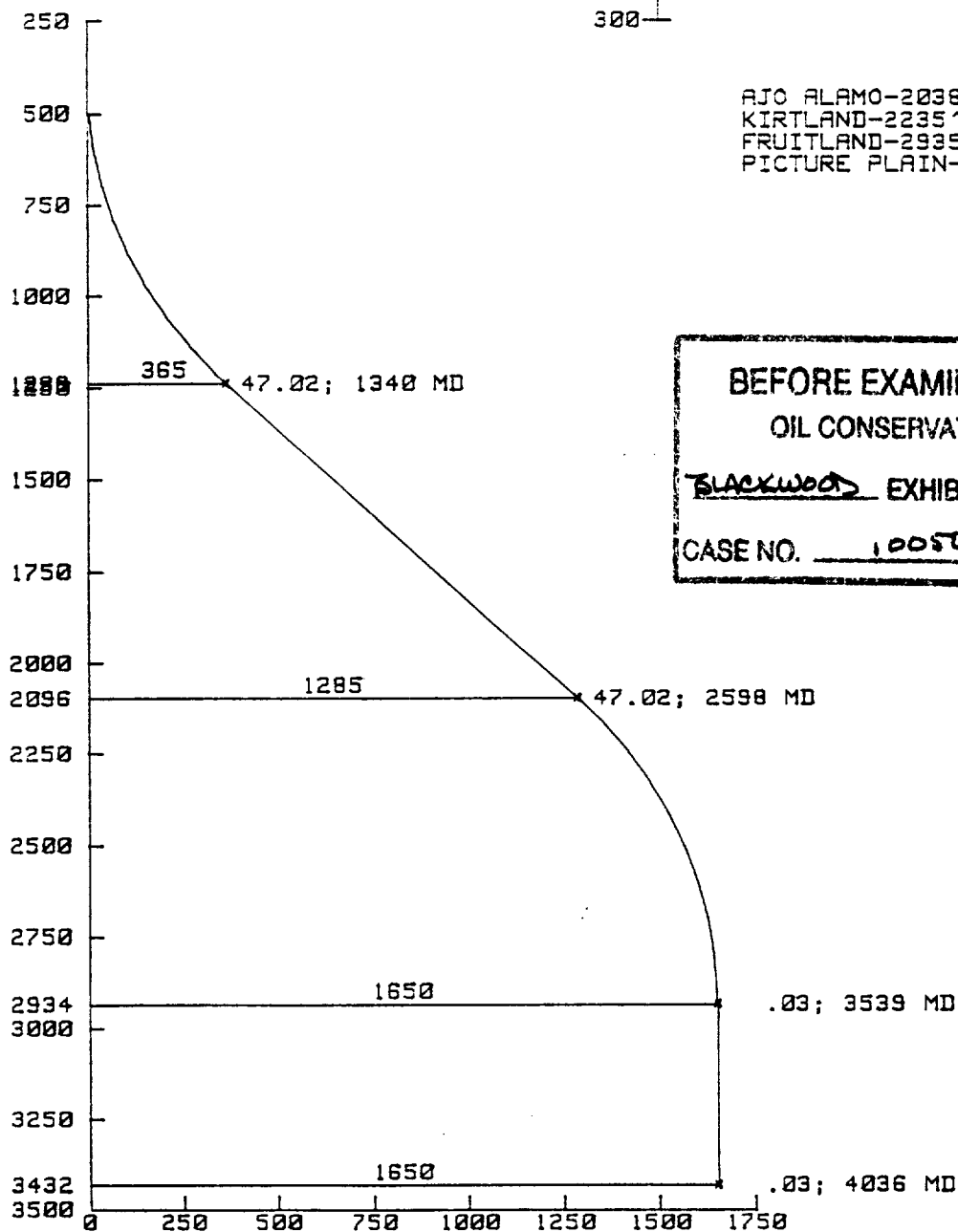


VERTICAL PLAN
SCALE: 250 FEET/DIVISION

HORIZONTAL PLAN
SCALE: 300 FEET/DIVISION



AJO ALAMO-2038'TVD, 2548'MD
KIRTLAND-2235'TVD, 2788'MD
FRUITLAND-2935'TVD, 3538'MD
PICTURE PLAIN-3242'TVD, 3936'MD



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

BLACKWOOD EXHIBIT NO. 4

CASE NO. 10050

VERTICAL SECTION PLANE: N 90.00 E

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10050
ORDER NO. R-9304

*APPLICATION OF BLACKWOOD & NICHOLS
CO., LTD. FOR DIRECTIONAL DRILLING
AND A NON-STANDARD GAS PRORATION
UNIT, SAN JUAN COUNTY, NEW MEXICO*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 5, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of September, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Blackwood & Nichols Co., Ltd., seeks authority to directionally drill its proposed Northeast Blanco Unit Well No. 461 from a surface location 1830 feet from the South line and 830 feet from the East line (Unit I) of Section 12, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, wherein the applicant proposes to deviate to a bottomhole location in the Basin-Fruitland Coal Gas Pool within 100 feet of a target point 1376 feet from the South line and 840 feet from the West line (Unit K) of Section 7, Township 30 North, Range 7 West, NMPM, San Juan County, New Mexico; which is a standard coal gas location pursuant to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768.

(3) The applicant further seeks approval for a 298.90-acre gas spacing and proration unit comprising Lots 6, 7, 8, 9, 12, 13, 14, 15 and that portion of Tract No. 40 lying west of the projected north/south line which is common to both Lots 15 and 16 of said Section 7, (W/2 equivalent) as shown on the official U.S. Public Land Survey dated July 19, 1915, and Lots 7 and 8 and the E/2 NW/4 of Section 18 (NW/4 equivalent), all in Township 30 North, Range 7 West, NMPM, San Juan County, New Mexico, to be dedicated to the subject well.

(4) The Basin-Fruitland Coal Gas Pool is spaced on 320 acres pursuant to the Special Rules and Regulations as promulgated by said Division Order No. R-8768.

(5) The proposed non-standard gas proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey.

(6) The proposed non-standard gas proration unit has previously been approved by Division Order No. R-752, for use in developing gas reserves in the Blanco-Mesaverde Pool, which is also spaced on 320-acre units and has proven to be effective in promoting orderly development in this area.

(7) The entire non-standard proration unit may reasonably be presumed productive of gas from the Basin-Fruitland Coal Gas Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(8) The directional drilling portion of this application is necessitated due to the severe and numerous topographic restrictions existing in such close proximity to the Navajo Reservoir.

(9) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Basin-Fruitland Coal Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, is in the best interest of conservation and will otherwise prevent waste and protect correlative rights.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(11) No offset operators or interested party objected to the subject application.

(12) The applicant should be required to notify the supervisor of the Aztec district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Aztec offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The application of Blackwood & Nichols Co., Ltd. for a 298.90-acre non-standard gas proration unit in the Basin-Fruitland Coal Gas Pool comprising Lots 6, 7, 8, 9, 12, 13, 14, 15 and that portion of Tract No. 40 lying west of the projected north/south line which is common to both Lots 15 and 16 of said Section 7, (W/2 equivalent) as shown on the official U.S. Public Land Survey dated July 19, 1915, and Lots 7 and 8 and the E/2 NW/4 of Section 18 (NW/4 equivalent), both in Township 30 North, Range 7 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) Said unit shall be dedicated to the applicant's Northeast Blanco Unit Well No. 461 to be directionally drilled from a surface location 1830 feet from the South line and 830 feet from the East line (Unit I) of Section 12, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico to a proposed bottomhole location within 100 feet of a target point 1376 feet from the South line and 840 feet from the West line (Unit K) of Section 7, Township 30 North, Range 7 West, NMPM, San Juan County, New Mexico.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

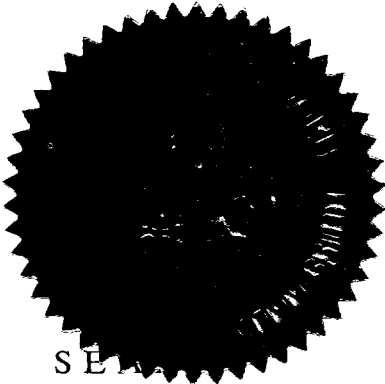
(3) The applicant shall notify the supervisor of the Aztec district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Aztec offices of the Division upon completion

Case No. 10050
Order No. R-9304
Page 4

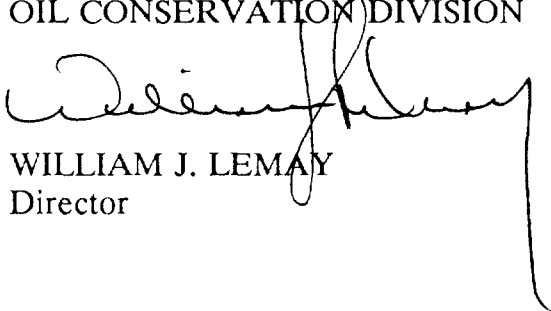
(4) Form C-105 shall be filed in accordance with Division Rule No. 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director