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October 9, 1990

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VIA TELECOPY AND HAND DELIVERED

Mr. Jim Morrow
New Mexico Oil Conservation
Division
P. O. 2088
Santa Fe, New Mexico 87504

Re: Case No. 10,100, the Application of Samuel Gary Jr. &
Associates, Inc. for Special Operating Provisions for Wells
Drilled to the Rio Puerco-Mancos Oil Pool within the San
Isidro (Shallow) Unit

Dear Mr. Morrow:

Enclosed is a proposed Order in the above case. Thank you
for your prompt attention to this matter.

Two matters came up at hearing on this matter on October 3,
1990, which I wish to address. First, Mr. Stovall inquired what
the acreage dedication would be for the initial unit well in the
W $\frac{1}{2}$ of Section 11. At the hearing and in the proposed order
Applicant requests permission to dedicate either a half section
or a whole section to a well, at its option. Dedicating the
entire section to a well could arise under three situations: (a)
the horizontal wellbore is located in both half sections; (b) the
operator determines that a horizontal wellbore located only in
one-half section is draining more than 320 acres. In addition,
under the Unit Agreement (Exhibit No. 2 in Case No. 10,099), a
participating area is to consist of all land regarded as
reasonably proved to be productive of unitized substances. Thus,
even though a well is completed in a half section, under the Unit
Agreement it may be necessary to include the entire section in a
participating area; or (c) even if a horizontal wellbore located
in a half section is not draining 320 acres, the entire section
may be dedicated if another well on that section is being used

Mr. Jim Morrow
October 9, 1990
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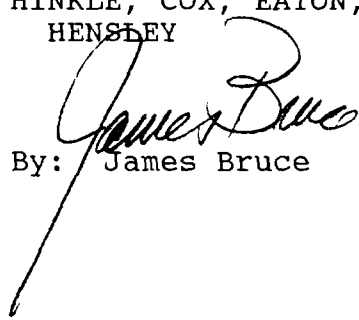
for gas reinjection purposes. In the case of the well in Section 11, although the wellbore will be only in the $W\frac{1}{2}$ of Section 11, the operator intends to use the currently existing well in the $SE\frac{1}{4}SE\frac{1}{4}$ of Section 11 for gas reinjection/pressure maintenance. This was to be part of case no. 10,100, but due to time constraints we requested at hearing that that portion of the case be dismissed. However, an application is being filed for the October 31, 1990 hearing requesting that the existing well in the $SE\frac{1}{4}SE\frac{1}{4}$ of Section 11 be converted to gas reinjection. Therefore, the applicant requests that the entire Section 11 be dedicated to the initial unit well located in the $W\frac{1}{2}$ of Section 11.

Second, Special Rule 2 of the proposed order requests permission to complete one or more wells on a well unit. This would allow not only for infill drilling, as necessary, but would also allow the currently existing producing wells in the Rio Puerco-Mancos pool to continue producing unless and until they are converted to injection wells. At the hearing on October 3, the applicant referred to subsequent wells it may drill in Sections 6, 12, and 13. Both Sections 6 and 12 have existing wells located on them.

Please call me if you have any questions about this matter.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le



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

GARREY CARRUTHERS
GOVERNOR

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Samuel Gary Jr. & Associates, Inc.
c/o James Bruce
500 Marquette N.W.
Suite 800
Albuquerque, NM 87102-2121

Administrative Order DD-52(H)
Highly Deviated Well Bore

Dear Mr. Bruce:

Under the provisions of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by Division Order No. R-9330, Samuel Gary Jr. & Associates, Inc. made application to the New Mexico Oil Conservation Division on October 25, 1990 for a highly deviated directional drilled wellbore in Section 12, Township 20 North, Range 3 West, NMPM, Rio Puerco-Mancos Oil Pool, San Isidro (Shallow) Unit Area, Sandoval County, New Mexico.

Now on this 23rd day of November, 1990, the Division Director finds that:

(1) An application has been duly filed under the provisions of Rules 2 and 8 of said Order No. R-9330 for administrative authorization to intentionally deviate its San Isidro "12" Well No. 10 in the San Isidro (Shallow) Unit Area for the purpose of penetrating the Mancos formation by means of a highly deviated wellbore, having a maximum angle off vertical of approximately 75 degrees.

(2) All of said Section 12 should be dedicated to said well to form a non-standard 640-acre oil spacing and proration unit.

(3) There are currently two producing Rio Puerco Mancos Oil wells in said Section 12:

- a) the Gary Williams Co. San Isidro "12" Well No. 12 located 660 feet from the North line and 1980 feet from the East line (Unit B) of said Section 12; and,

- b) the Gary Williams Co. San Isidro "12" Well No. 4 located 660 feet from the North and West lines (Unit D) of said Section 12.

(4) The applicant will abide by the provisions of Rule 10 as it concerns all three wells in said Section 12.

(5) Said spacing unit is within the applicant's San Isidro (Shallow) Unit Area and therefore, has no offset operators other than themselves.

(6) The applicant has satisfactorily met all requirements prescribed in said Rules 2 and 8.

(7) The subject application should be approved and the well and unit should be governed by the provisions of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by said Order No. R-9330.

IT IS THEREFORE ORDERED THAT:

(1) Samuel Gary Jr. and Associates, Inc. is hereby authorized to initiate a highly deviated directional drilling project in Section 12, Township 20 North, Range 3 West, Rio Puerco Mancos Oil Pool, San Isidro (Shallow) Unit Area, Sandoval County, New Mexico, thereby forming a 640-acre oil spacing and proration unit, by commencing its San Isidro "12" Well No. 10 at a standard oil well location 1500 feet from the South line and 1400 feet from the East line (Unit K) of said Section 12, drill to a true vertical depth of approximately 3500 feet and kick-off with a medium radius curve in a northwesterly direction, build to an angle of approximately 75 degrees and continue drilling at said angle through the Rio Puerco Mancos Oil Pool to total depth at a true vertical depth of approximately 4565 feet with a terminus point approximately 1340 feet from the North line and 2585 feet from the East line of said Section 12.

PROVIDED HOWEVER THAT: Prior to directional drilling, the operator shall determine the subsurface location of the kick-off point; and,

PROVIDED FURTHER THAT: Subsequent to the above-described directional drilling, a survey shall be made of the wellbore from total depth to kick-off point. The operator shall forward a copy of the survey report directly to the Santa Fe Office and to the Aztec District Office of the Division.

(2) The operator shall notify the Division's Aztec District Office of the date and time said survey is to be commenced.

(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).


(4) The applicant shall comply with the terms of Rule 10 of said Order R-9330 with respect to all three wells within the 640-acre spacing unit.

(5) The applicant shall operate said well and unit and conduct said directional drilling operations in accordance with the Special Operating Rules and Regulations for the San Isidro (Shallow Unit as promulgated by Division Order No. R-9330.

(6) 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

S E A L

WJL/MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
File: Case No. 10100

HINKLE, COX, EATON, COFFIELD & HENSLEY

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Mr. Jim Morrow
New Mexico Oil Conservation
Division
P. O. 2088
Santa Fe, New Mexico 87504

Re: Case No. 10,100, the Application of Samuel Gary Jr. & Associates, Inc. for Special Operating Provisions for Wells Drilled to the Rio Puerco-Mancos Oil Pool within the San Isidro (Shallow) Unit

Dear Mr. Morrow:

Enclosed is a proposed Order in the above case. Thank you for your prompt attention to this matter.

Two matters came up at hearing on this matter on October 3, 1990, which I wish to address. First, Mr. Stovall inquired what the acreage dedication would be for the initial unit well in the W $\frac{1}{2}$ of Section 11. At the hearing and in the proposed order Applicant requests permission to dedicate either a half section or a whole section to a well, at its option. Dedicating the entire section to a well could arise under three situations: (a) the horizontal wellbore is located in both half sections; (b) the operator determines that a horizontal wellbore located only in one-half section is draining more than 320 acres. In addition, under the Unit Agreement (Exhibit No. 2 in Case No. 10,099), a participating area is to consist of all land regarded as reasonably proved to be productive of unitized substances. Thus, even though a well is completed in a half section, under the Unit Agreement it may be necessary to include the entire section in a participating area; or (c) even if a horizontal wellbore located in a half section is not draining 320 acres, the entire section may be dedicated if another well on that section is being used

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+ M.S.

Mr. Jim Morrow
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Page Two

for gas reinjection purposes. In the case of the well in Section 11, although the wellbore will be only in the W $\frac{1}{2}$ of Section 11, the operator intends to use the currently existing well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11 for gas reinjection/pressure maintenance. This was to be part of case no. 10,100, but due to time constraints we requested at hearing that that portion of the case be dismissed. However, an application is being filed for the October 31, 1990 hearing requesting that the existing well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11 be converted to gas reinjection. Therefore, the applicant requests that the entire Section 11 be dedicated to the initial unit well located in the W $\frac{1}{2}$ of Section 11.

Second, Special Rule 2 of the proposed order requests permission to complete one or more wells on a well unit. This would allow not only for infill drilling, as necessary, but would also allow the currently existing producing wells in the Rio Puerco-Mancos pool to continue producing unless and until they are converted to injection wells. At the hearing on October 3, the applicant referred to subsequent wells it may drill in Sections 6, 12, and 13. Both Sections 6 and 12 have existing wells located on them.

Please call me if you have any questions about this matter.

Very truly yours,

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By: James Bruce

JB:le

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:

Cases No: 10,100

Order No. R-_____

APPLICATION OF SAMUEL GARY JR. &
ASSOCIATES, INC. FOR SPECIAL
OPERATING RULES FOR DRILLING
HORIZONTAL/HIGH ANGLE WELLBORES
IN THE SAN ISIDRO (SHALLOW) UNIT, *Rio Puerco - Mancos Oil Pool*,
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE DIVISION (PROPOSED)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 3, 1990, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this ____ day of October, 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, Samuel Gary Jr. & Associates, Inc., in Division Case No. 10,099, seeks authority to initiate a horizontal directional drilling pilot project located in the W 1/2 of Section 11, Township 20 North, Range 3 West, N.M.P.M., within the San Isidro (Shallow) Unit (Rio Puerco-Mancos Oil Pool), Sandoval County, New Mexico, and to further promulgate special operating provisions within said project area including limiting the horizontal extent of the horizontal wellbore such that it can be no closer than 660 feet to the outer boundary of the spacing unit, and assignment of special allowables to said well.

(3) The Applicant proposes to drill its initial horizontal well at a location 934 feet from the South line and 1975 feet from the West line of said Section 11, and further proposes to drill and complete said well in the following manner:

Directionally drill said well by kicking off from the vertical at a depth of approximately 3,500 feet, drill a long-radius curve in such a manner as to penetrate the Mancos shale horizontally at a depth of approximately 4,500 feet, utilize existing and proven technology to drill horizontally within the Mancos formation in a North-Northwesterly direction a distance of approximately 2,000 feet, and produce the Mancos formation throughout the entire horizontal interval.

(4) Applicant is a working interest owner in, and the unit operator of, the San Isidro (Shallow) Unit (the Unit), which covers the lands described on Exhibit A attached hereto, located in Sandoval County, New Mexico.

(5) The Unit comprises 18,897.16 acres, more or less, all of which are federal minerals. Except for Unit Tract No. 19 on the exterior of the Unit, comprising 120 acres, one hundred percent of working interests in the Unit are committed to the Unit, and the Bureau of Land Management has approved the Unit.

(6) The Unit was formed for the purpose of conducting a horizontal drilling program within the Unit.

(7) The proposed pilot well and the Unit are located within the boundaries of the Rio Puerco-Mancos Oil Pool and, as such, would be subject to the special rules and regulations for said pool, which require 320-acre spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the proration unit, nor closer than 330 feet from any quarter-quarter section line, nor closer than 1,800 feet to any other well completed or drilled within the Pool. The allowable for a well completed in said Pool is 320 barrels of oil per day. *For use for no more than one well on a 320-acre unit.*

(8) The Applicant proposes drilling additional wells to the Mancos formation within the Unit, and three wells are being permitted with the Bureau of Land Management. It is anticipated that one of these wells will be commenced by the end of October, 1990. If the pilot well and the second well are successful, additional horizontal wells will be drilled within the Unit.

(9) Testimony by the Applicant indicated that this type of well completion should result in the recovery of a substantially greater amount of oil than would normally be

recovered by a conventional well completion, thereby preventing waste.

(10) The Applicant further proposes the following special rules for horizontal/high angle wells drilled to the Mancos formation within the Unit:

(a) That the horizontal portion of the wellbore be no closer than 660 feet to the outer boundary of a well unit.

(b) That the operator be permitted to dedicate, at its option, up to two 320 acre units to a well.

(c) That each horizontal well have an unrestricted allowable and gas:oil ratio while drilling and completing, limited to a 60 day period.

(d) That, after expiration of the above 60 day period, each well have an allowable of 320 barrels of oil per day for 320 acre unit, or 640 barrels of oil per day for a 640 acre unit, which is equal to the normal allowable assigned to a standard a 320-acre proration unit in the pool times two.

(e) That an administrative procedure be authorized to approve horizontal wells in the Unit.

(11) No interest owner objected to the proposed horizontal directional drilling pilot project or to the proposed special rules for the Unit.

(12) Due to the formation of the Unit there are no offset operators within the Unit, and promulgation of special rules for drilling horizontal wells in the Mancos formation within the Unit will not adversely affect correlative rights.

(13) At the hearing on this matter, the Applicant requested that the portion of this case regarding a gas reinjection/pressure maintenance project be dismissed. The request should be granted.

(14) The Applicant presented evidence that in order to properly drill its proposed wells, the horizontal wellbores will need to cross quarter-quarter section lines.

(15) The Applicant presented evidence that in order to properly drill certain of its proposed wells, and in order to allow greater flexibility while drilling the wells, the horizontal wellbores may need to be located within two standard spacing and proration units.

(16) The Applicant submitted evidence that the horizontal wells will be drilled in an unbalanced state, and that production during drilling and completing is necessary to prevent formation damage. In addition, such production will provide data which will be useful in promulgating permanent rules for wells in the Unit.


(17) The Applicant further presented evidence that, in order to angle in better on the Mancos formation, certain wells may have non-standard surface locations.

(18) According to evidence submitted by the Applicant, certain spacing and proration units may be non-standard in size.

(19) The special operating rules should be approved subject to certain bottomhole considerations:

- (a) The bottomhole location of a well should not be located closer than 660 feet to the outer boundary of each well unit.
- (b) As to horizontal wells on the exterior well units of the Unit, such wells should not be closer than 1,800 feet to an existing or drilling well within the Pool but outside of the Unit.
- (c) As to horizontal wells on the exterior well units of the Unit, notice should be given to offset operators outside of the Unit prior to commencement of a well.

(20) As to well units comprising 640 acres, such units should be approved subject to the following condition:

- (a) The production from a well should be allocated equally between the two 320-acre proration units and should be reported to the Division as such.
- 

(21) The wells listed below, which are within the Unit, check
are currently completed in the Rio Puerco-Mancos Oil Pool
and are capable of producing hydrocarbons:

(a) The Shogoil No. 1 Chijquilla No. 31-14 Well,
located in Unit N of Section 31, Township 21, North, Range 2
West, N.M.P.M.

(b) The GWOP Johnson No. 6-16 Well, located in
Unit P of Section 6, Township 20 North, Range 2 West,
N.M.P.M.

(c) The GWOP San Isidro No. 1-16 Well, located in
Unit P of Section 1, Township 20 North, Range 3 West,
N.M.P.M.

(d) The GWOP San Isidro No. 3-16 Well, located in
Unit P of Section 3, Township 20 North, Range 3 West,
N.M.P.M.

(e) The GWOP San Isidro No. 11-16 Well, located
in Unit P of Section 11, Township 20 North, Range 3 West,
N.M.P.M.

(f) The GWOP San Isidro No. 12-2 Well, located in
Unit B of Section 12, Township 20 North, Range 3 West,
N.M.P.M.

(g) The GWOP San Isidro No. 12-4 Well, located in
Unit D of Section 12, Township 20 North, Range 3 West,
N.M.P.M.

(h) The GWOP Johnson No. 7-11 Well, located in
Unit K of Section 7, Township 20 North, Range 2 West,
N.M.P.M.

(i) The GWOP San Isidro No. 14-4 Well, located in
Unit D of Section 14, Township 20 North, Range 3 West,
N.M.P.M.

(j) The GWOP San Isidro No. 15-4 Well, located in
Unit D of Section 15, Township 20 North, Range 3 West,
N.M.P.M.

(k) The GWOP San Isidro No. 15-7 Well, located in
Unit G of Section 15, Township 20 North, Range 3 West,
N.M.P.M.

(l) The GWOP San Isidro No. 16-10 Well, located
in Unit J of Section 16, Township 20 North, Range 3 West,
N.M.P.M.

(m) The GWOP San Isidro No. 18-8 Well, located in Unit H of Section 18, Township 20 North, Range 3 West, N.M.P.M.

(22) The applicant proposed that, as to well units formed with existing Mancos wells located thereon, it be required to seek Division approval before simultaneously dedicating two or more wells to one unit, and subject to the following condition:

(a) To assist the Division in the allowable assignment and for production-reporting purposes, the applicant should be required to designate one person as operator of the proposed proration units prior to the date of first production from the proposed wells.

IT IS THEREFORE ORDERED THAT:

(1) The application of Samuel Gary Jr. & Associates, Inc. for special operating provisions for drilling horizontal/high angle wellbores in the Mancos formation within the San Isidro (Shallow) Unit, Sandoval County, New Mexico, is hereby approved.

(2) That temporary special operating provisions for horizontal/high angle wellbores within the San Isidro (Shallow) Unit (Rio Puerco-Mancos Oil Pool) are hereby promulgated as follows:

SPECIAL OPERATING RULES AND REGULATIONS
FOR THE

SAN ISIDRO (SHALLOW) UNIT

Correcting Lines Incorporated on 2-10-61 ★
RULE 1. Each well completed or recompleted in the Rio Puerco-Mancos Oil Pool ~~or in a correlative interval~~ within the San Isidro (Shallow) Unit shall be spaced, drilled, operated and produced in accordance with the Special Operating Rules and Regulations hereinafter set forth.

RULE 2. One or more wells may be completed or recompleted on 320 acres (consisting of the N $\frac{1}{2}$, S $\frac{1}{2}$, E $\frac{1}{2}$, or W $\frac{1}{2}$ of a governmental section) or 640 acres (consisting of an entire governmental section), more or less, at the operator's discretion.

RULE 3. Each well shall be located no nearer than 660 feet to the outer boundary of the spacing or proration unit. Wells completed on any well unit on the exterior of the San Isidro (Shallow) Unit shall not be nearer than 1800 feet to

any other well outside said Unit completed or drilling in the pool.

(4) → RULE 4. The Division Director may grant an exception to the requirements of Rule (3) without hearing when an application has been filed for an unorthodox surface location or the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, provided that the bottomhole location of the well complies with Rule 3. For wells within the interior of the San Isidro (Shallow) Unit, the Division Director may approve the application upon receipt. Such approval shall consist of acceptance of Division Form C-102 or the corresponding BLM form showing the proposed non-standard surface location. for wells on the exterior well units of said Unit, all operators or owners of undrilled tracts offsetting the proposed location shall be notified of the application by registered or certified mail, and the applicant shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all parties described above, or if no objections to the unorthodox location have been entered, within 20 days after the Director has received the application.

RULE 5A. A standard 320 acre proration unit (316 through 324 acres) shall be subject to a 320 acre depth bracket allowable of 320 barrels per day. 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 320 acres.

RULE 5B. A standard 640 acre proration unit (632 through 648 acres) shall be subject to a 320 acre depth bracket allowable of 320 barrels per day times two, being 640 barrels per day. 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 640 acres. This rule shall be subject to the following conditions:

(a) The production from the proposed well shall be allocated equally between the two 320-acre proration units and should be reported to the Division as such. — X

(b) The Division may, at its own discretion, authorize or implement a change in the method of assigning or reporting production from 640 acre units if deemed necessary. — X

RULE 6. The Supervisor of the Aztec district office of the Division shall have the authority to approve a non-

standard proration unit within the Rio Puerco-Mancos Oil Pool and the Unit without notice and hearing when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the nonstandard unit is not less than 75% nor more than 125% of a standard proration unit (320 or 640 acres). Such approval shall consist of acceptance of Division Form C-102 or the corresponding BLM form showing the proposed non-standard unit and the acreage contained therein.

u 5 (P)

RULE 7A. The Division Director may grant an exception to the requirements of Rule 5(A) when the unorthodox size or shape of the proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the non-standard gas proration unit is less than 75% or more than 125% of a standard gas proration unit, or where the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit consists wholly of a governmental section.

(c) As to well units on the exterior of the San Isidro (Shallow) Unit, the applicant presents written consent in the form of waivers from all offset operators or owners of undrilled tracts outside said Unit.

(d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties were notified by registered or certified mail of his intent to form such non-standard unit. The Division Director may approve the application if no such party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application.

RULE 7B. The Division Director may grant an exception to the requirements of Rule 5(B) when the unorthodox size or shape of the proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the non-standard gas proration unit is less than 75% or more than 125% of a standard gas proration unit, or where the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) the non-standard unit consists wholly of a governmental section.

(c) As to well units on the exterior of the San Isidro (Shallow) Unit, the applicant presents written consent in the form of waivers from all offset operators or owners of undrilled tracts outside said Unit.

(d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties were notified by registered or certified mail of his intent to form such non-standard unit. The Division Director may approve the application if no such party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application.

RULE 8A. The Division Director shall have the authority to administratively approve an intentionally deviated well in the Rio Puerco-Mancos Oil Pool, within the San Isidro (Shallow) Unit, for the purpose of penetrating the Mancos shale by means of a wellbore drilled horizontally, provided the following conditions are complied with:

(1) The surface location of the proposed well is a standard location or the applicant has obtained approval of an unorthodox surface location as provided for in Rule (4) above.

(2) The bore hole shall not enter or exit the Mancos shale outside of a drilling window which is in accordance with the setback requirements of Rule (3), provided however, that the 10 foot setback distance requirement from the quarter-quarter section line or subdivision inner boundary shall not apply to horizontally drilled wells.

330

The bottom hole of

(B) To obtain administrative approval to drill an intentionally deviated horizontal wellbore, the applicant shall file such application with the Santa Fe and Aztec Offices of the Division.

As to well units on the exterior the San Isidro (Shallow) Unit, the applicant shall further provide a copy of such application to all operators or owners of undrilled tracts offsetting the proposed proration unit for said well by registered or certified mail, and the application shall

state that such notice has been furnished. The application shall further include the following information:

(1) A copy of Division Form C-102, or the corresponding BLM form, identifying the proposed proration unit to be dedicated to the well.

(2) Schematic drawings of the proposed well which fully describe the casing, tubing, perforated or open hole interval, kick-off point, and proposed trajectory of the drainhole section.

As to well units on the exterior of said Unit, the Director may approve the application upon receipt of written waivers from all parties described above, or if no objection to the intentionally deviated horizontal wellbore has been entered, within 20 days after the Director has received the application. If any objection to the proposed intentionally deviated horizontal well is received within the prescribed time limit as described above, the Director shall, at the applicant's request, set said application for public hearing.

As to all other horizontal wells within said Unit, the Director may approve the application upon receipt.

(C) During or upon completion of drilling operations the operator shall further be required to conduct a directional survey on the vertical and lateral portions of the wellbore and shall submit a copy of said survey to the Santa Fe and Aztec Offices of the Division.

(D) The Division Director, at his discretion, may set any application for intentionally deviated horizontal wellbores for public hearing.

RULE 9. A horizontal/high angle well in the Rio Puerco-Mancos Oil Pool within the Unit shall have an unrestricted allowable and gas:oil ratio while drilling and completing for a period of 60 days.

RULE 10. Notwithstanding the provisions of Division Rule 404, the Supervisor of the Aztec district office of the Division shall have the authority to approve the venting or flaring of gas from a Rio Puerco-Mancos Oil Pool Well upon a determination that said venting or flaring is necessary during completion operations, to obtain necessary well test information, or to maintain the producibility of said well. Application to flare or vent gas shall be made in writing to the Aztec district office of the Division.

RULE 11. If a horizontal well is drilled on a unit upon which there is located another well or wells completed in and capable of producing from the Rio Puerco-Mancos Oil Pool, then only one of said wells may be produced at any one time until the operator receives approval from the Division for simultaneous dedication. Simultaneous dedication may be granted only upon the following condition:

(a) For allowable assignment and production reporting procedures, the operator shall be required to designate a single operator for all wells on one unit.

IT IS FURTHER ORDERED THAT:

(1) The Special Operating Rules and Regulations for the San Isidro (Shallow) Unit shall become effective October 1, 1990.

(2) This case shall be reopened at an examiner hearing in October, 1992 at which time the operator and interest owners in the Unit should be prepared to appear and show cause why the foregoing Special Operating Rules and Regulations should remain in effect.

(3) 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

SEAL

HINKLE, COX, EATON, COFFIELD & HENSLEY

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PAUL W. EATON
CONRAD E. COFFIELD
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ERIC D. LANPHERE
C. D. MARTIN
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JEFFREY L. FORNACARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
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S. BARRY PAISNER
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CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

October 16, 1990

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HAND DELIVERED

Jim Morrow
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

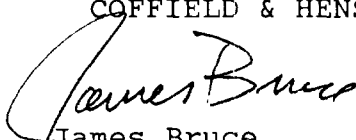
Re: **Case 10,100**

Dear Mr. Morrow:

Enclosed is Exhibit A regarding the order in Case No. 10,100.

Sincerely,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JB:jr
Enclosure

OCD
Rec'd 10.16.90
11:10 AM
LHM

Exhibit A

San Isidro (Shallow) Unit Area
Sandoval County, New Mexico

Township 21 North, Range 2 West, NMPM

Section 31: All
Section 32: All
Section 33: All

Township 21 North, Range 3 West, NMPM

Section 35: All
Section 36: All

Township 20 North, Range 2 West, NMPM

Section 5: All
Section 6: All
Section 7: All
Section 8: All
Section 18: All

Township 20 North, Range 3 West, NMPM

Section 1: All
Section 2: All
Section 3: All
Section 4: All
Section 5: All
Section 7: All
Section 8: All
Section 9: All
Section 10: All
Section 11: All
Section 12: All
Section 13: All
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 18: All
Section 22: All
Section 23: All
Section 24: All



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



BRUCE KING
GOVERNOR

May 19, 1992

ANITA LOCKWOOD
CABINET SECRETARY

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

Veteran Exploration, Inc.
7535 East Hampden Avenue
Suite 506
Denver, Colorado 80231

Attention: Robert P. Jacobsen

Administrative Order DD-66(H)

Dear Mr. Jacobsen:

Under the provisions of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by Division Order No. R-9330, as amended, Veteran Exploration, Inc. made application to the New Mexico Oil Conservation Division on April 27, 1992 for a highly deviated directional drilled wellbore in the W/2 equivalent of Section 5, Township 20 North, Range 2 West, NMPM, Rio Puerco-Mancos Oil Pool, San Isidro (Shallow) Unit Area, Sandoval County, New Mexico.

Now on this 19th day of May, 1992, the Division Director finds that:

- (1) The application has been duly filed under the provisions of Rules 4 and 8 of said Order No. R-9330, as amended, for administrative authorization to intentionally deviate a well in the San Isidro (Shallow) Unit Area for the purpose of penetrating the Mancos formation by means of a highly deviated wellbore, having a maximum angle off vertical of approximately 70 degrees.
- (2) Lots 3 and 4, S/2 NW/4, and SW/4 (W/2 equivalent) of said Section 5 should be dedicated to said well to form a non-standard 298.25-acre oil spacing and proration unit.
- (3) Said spacing unit is within the applicant's San Isidro (Shallow) Unit Area and therefore, has no offset operators other than themselves.
- (4) The applicant has satisfactorily met all requirements prescribed in said Rules 4 and 8.

(5) The subject application should be approved and the well and unit should be governed by the provisions of Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by said Order No. R-9330, as amended.

IT IS THEREFORE ORDERED THAT:

(1) Veteran Exploration, Inc. is hereby authorized to initiate a highly deviated directional drilling project in the W/2 equivalent of Section 5, Township 20 North, Range 2 West, NMPM, Rio Puerco-Mancos Oil Pool, San Isidro (Shallow) Unit Area, Sandoval County, New Mexico, thereby forming a 298.25-acre oil spacing and proration unit, by commencing at a non-standard surface oil well location 501 feet from the South line and 1620 feet from the West line (Unit N) of said Section 5, drill to a true vertical depth of approximately 3850 feet and kick-off with a medium radius curve in a northerly direction, build to an angle of approximately 70 degrees and continue drilling at said angle through the Rio Puerco-Mancos Oil Pool to a true vertical depth of approximately 4559 feet with a terminus point for said horizontal wellbore at approximately 2501 feet from the South line and 1620 feet from the West line of said Section 5.

PROVIDED HOWEVER THAT: Prior to directional drilling, the operator shall determine the subsurface location of the kick-off point; and,

PROVIDED HOWEVER THAT: Subsequent to the above-described directional drilling, a survey shall be made of the wellborne from total depth to kick-off point. The operator shall forward a copy of the survey report directionally to the Santa Fe Office and to the Aztec District Office of the Division.

(1) The operator shall notify the Division's Aztec District Office of the date and time said survey is to be commenced.

(2) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).

(3) An appropriate allowable shall be assigned said non-standard proration unit in accordance with Rule 5 of said Order R-9330, as amended.

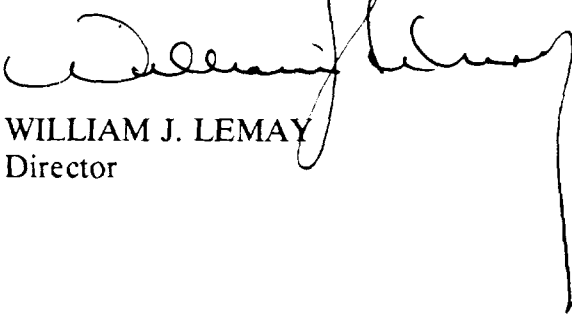
(4) The applicant shall operate said well and unit and conduct said directional drilling operations in accordance with the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by the Division Order No. R-9330, as amended.

Administrative Order DD-66(H)
May 19, 1992
Page No. 3

(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

S E A L

cc: Oil Conservation Division - Aztec
U.S. BLM - Farmington
File: Case No. 10100 ✓



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

May 19, 1992

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

Veteran Exploration, Inc.
7535 East Hampden Avenue
Suite 506
Denver, Colorado 80231

Attention: Robert P. Jacobsen

AMENDED
Administrative Order DD-55(H)
Highly Deviated Well Bore
in Section 12, Township 20 North,
Range 3 West, NMPM, Sandoval County,
New Mexico.

Dear Mr. Jacobsen:

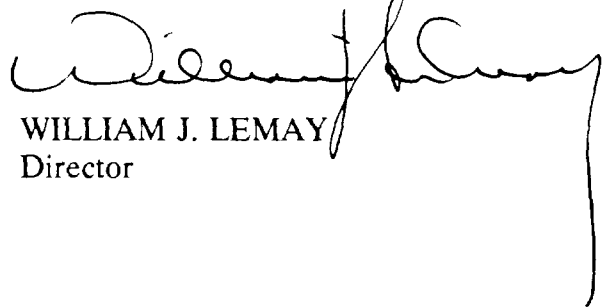
Reference is made to your letter dated April 28, 1992 requesting an amendment to Division Administrative Order DD-52(H) which would allow Veteran Exploration, Inc. to re-enter existing horizontal portion of its San Isidro "12" Well No. 10 and drill out from a second sidetrack which will deviate along a path 100 to 200 feet below the previous horizontal and in a more northwesterly direction (N 50° W) with an angle of approximately 85 degrees. It is our understanding that this extension is necessary because the initial horizontal extension deviated out of the oil pay target interval.

The above described change shall be incorporated into the original DD-52(H) order, further all provisions contained in said original order shall remain in full force and effect until further notice.

Veteran Exploration, Inc.
May 19, 1992
Page 2

A correction shall also be incorporated into these administrative orders at this time, the actual surface location shall be changed to read "1545 feet from the South line and 1420 feet from the East line (Unit J)".

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

cc: Oil Conservation Division - Aztec
U.S. BLM - Farmington
File Case No: 10100 ✓



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



BRUCE KING
GOVERNOR

June 1, 1992

ANITA LOCKWOOD
CABINET SECRETARY

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

Veteran Exploration, Inc.
7535 East Hampden Avenue
Suite 506
Denver, Colorado 80231

Attention: Robert P. Jacobsen

Dear Mr. Jacobsen:

On May 19, 1992 the Division issued an amendment to the existing Administrative Order DD-52(H), which authorized the horizontal drilling of your San Isidro "12" Well No. 10 in Section 12, Township 20 North, Range 3 West, NMPM, Sandoval County, New Mexico. Due to clerical error and inadvertence said amendment was issued with an incorrect heading which should be changed to read as follows:

"AMENDED
Administrative Order DD-52(H)
Highly Deviated Well Bore
in Section 12, Township 20 North,
Range 3 West, NMPM, Sandoval County,
New Mexico."

I apologize for any confusion or inconvenience this error may have caused. Thank you for your patience in this matter.

Sincerely,

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

MICHAEL E. STOGNER
Chief Hearing Examiner/Engineer

MES/jc

cc: OCD - Aztec
U.S. BLM - Farmington
File Case No: 10100



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

GARREY CARRUTHERS
GOVERNOR

October 29, 1990

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Mr. James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Attorneys at Law
500 Marquette, N.W., Suite 800
Albuquerque, New Mexico 87102-2121

Re: CASE NO. 10100
ORDER NO. R-9330

Applicant:
Samuel Gary Jr. and
Associates, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

HINKLE, COX, EATON, COFFIELD & HENSLEY

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VINCENT E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANDOR
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MARSHALL G. MARTIN
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October 21, 1992

*NOT LICENSED IN NEW MEXICO

VIA HAND DELIVERY

William J. LeMay
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87503

Re: Case No. 10,100 (Reopened); Special Operating
Rules for the San Isidro (Shallow) Unit,
Sandoval County, New Mexico

Dear Mr. LeMay:

We hereby request that the above case be continued to the December 3, 1992 hearing, for the following reasons: The current operator of the unit is Veteran Exploration, Inc. Veteran and its partners are in the process of selling their interests in the unit to Energy Development Corporation (EDC). The closing of the sale is currently scheduled for November 2, 1992. EDC will be designated as the new unit operator. (EDC already owns interests in the unit.) Because of time pressures in closing the sale, and

JGB5\92447.c

William J. LeMay
October 21, 1992
Page Two

in order to allow EDC to properly prepare for hearing, EDC hereby requests a continuance.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce
Attorneys for Energy
Development Corporation

JB:frs

HINKLE, COX, EATON, COFFIELD & HENSLEY

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CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
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November 30, 1992

VIA HAND DELIVERY

David R. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

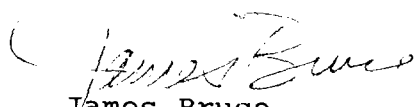
Re: Case No. 10,100 (Re-opened)

Dear Mr. Catanach:

We hereby request a continuance of the above case to December 17. A new operator, Energy Development Corporation, has just taken over operation of the San Isidro (Shallow) Unit, and is busy preparing its case. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

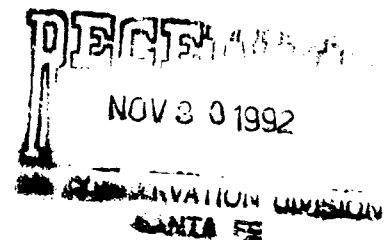

James Bruce

Attorneys for Energy Development
Corporation

JB:frs

c: Mark Blumenshine

JGB5\92699.c



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JAMES J. WECHSLER
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December 11, 1992

*NOT LICENSED IN NEW MEXICO

VIA HAND DELIVERY

Michael E. Stogner
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

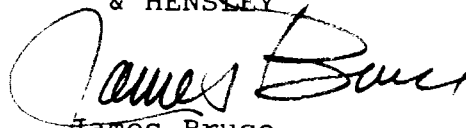
Re: Case No. 10,100 (reopened)

Dear Mr. Stogner:

On behalf of Energy Development Corporation, we request the above case be continued to the January 7, 1993 Examiner Hearing, for the reasons discussed on the attached letter. This will be the last continuance sought by my client.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce
Attorneys for Energy Development
Corporation

JB:frs
Attachment

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1015-4111



December 10, 1992

Mr. Jim Bruce
Hinkle, Cox, Eaton, Coffield & Hensley
218 Montezuma
P. O. Box 2068
Santa Fe, New Mexico 87504-2068

RE: SAN ISIDRO (SHALLOW) UNIT
OCD-R-9330, R-9330-A
SANDOVAL COUNTY, NEW MEXICO

Dear Mr. Bruce:

Energy Development Corporation ("EDC") requests that you attempt to reschedule the currently scheduled December 17, 1992 hearing as captioned above until January 7, 1993 so as to allow EDC additional time in which to prepare. As EDC assumed operations covering this unit less than 30 days ago (November 16, 1992), our engineers have not had adequate time in which to prepare to testify as to all the various aspects of this hearing. Additionally, our engineers are working around the clock on completing our year-end reserve report, which will not allow any additional time for them to adequately prepare.

I realize that this hearing has been rescheduled a number of times, however, it is imperative that we are able to prepare for this hearing so that our testimony is accurate and credible. Thank you for your assistance in working with the NMOCD to meet our request and if I may be of any assistance, please advise.

Very truly yours,

ENERGY DEVELOPMENT CORPORATION

Mark Blumenshine

Mark Blumenshine
Landman

WMB/ajr
cc: Brock Moore
Mark Gerding

Energy Development Corporation
A subsidiary of Public Service Enterprise Group Incorporated

1000 Louisiana, Suite 2900, Houston, Texas 77002 (713) 750-7300

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NMOCD

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



BRUCE KING
GOVERNOR



ANITA LOCKWOOD
CABINET SECRETARY

January 19, 1993

HINKLE, COX, EATON,
COFFIELD & HENSLEY
Attorneys at Law
P. O. Box 2068
Santa Fe, New Mexico 87501

RE: CASE NO. 10100
ORDER NO. R-9330-B

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Leichte
Sally E. Leichte
Administrative Secretary

cc: BLM - Farmington
OCD Aztec Office

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Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830
Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco
Office of the Secretary
827-5950
Administrative Services
827-5925
Energy Conservation & Management
827-5900
Mining and Minerals
827-5970

LAND OFFICE BUILDING - 310 Old Santa Fe Trail
Oil Conservation Division
P.O. Box 2088 87504-2088
827-5800



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

December 29, 1993

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

Energy Development Corporation
1000 Louisiana, Suite 2900
Houston, TX 77002

Attention: Mark S. Gerding

Second Amendment to Division Administrative Order DD-52(H) High Angle/Horizontal Wellbore in Section 12, Township 20 South, Range 3 West, NMPM, Rio Puerco-Mancos Oil Pool, San Isidro (Shallow) Unit Area, Sandoval County, New Mexico.

Dear Mr. Gerding:

Reference is made to your letter dated October 19, 1993 requesting approval to drill at least three horizontal boreholes from a fourth well within the existing 640-acre non-standard proration unit comprising all of Section 12, Township 20 South, Range 3 West, NMPM, Rio Puerco-Mancos Oil Pool, Sandoval County, New Mexico (see Division Administrative Order DD-52(H), dated November 23, 1990).

By Administrative Order DD-52(H), dated November 23, 1990, the Division authorized the formation of a non-standard 640-acre oil spacing and proration unit in the Rio Puerco-Mancos Oil Pool comprising all of said Section 12 for the purpose of drilling the San Isidro "12" Well No. 10 as a high angle/horizontal well.

Said order further simultaneously dedicated said 640-acre unit to the Gary Williams Company San Isidro "12" Well No. 2, 4 and 10. On May 19, 1992 said order was amended to allow the operator to drill a second horizontal high angle/horizontal hole within the wellbore of the San Isidro "12" Well No. 10.

Now on this 29th day of December, 1993, the Division Director Finds That:

(1) The application has been duly filed under the provisions of Rules 4 and 8 of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit, as promulgated by Division Order No. R-9330, as amended, for administrative authorization to intentionally deviate into the Mancos formation from one well with three lateral boreholes, each having a maximum angle off-vertical of 90°, more or less.

(2) As previously stated, the subject well is to be simultaneously dedicated to an existing 640-acre non-standard oil spacing and proration unit, which is currently dedicated to the:

- (a) San Isidro Unit 12 Well No. 2 located 660 feet from the North line and 1980 feet from the East line (Unit B) of said Section 12;
- (b) San Isidro Unit 12 Well No. 24 located 660 feet from the North and West lines (Unit D) of said Section 12; and,
- (c) San Isidro Unit 12 Well No. 10 located at a surface location 1545 feet from the South line and 1420 feet from the East line (Unit J) of said Section 12.

(3) The applicant shall abide by the provisions of Rule 10 as it concerns all four wells on the subject 640-acre oil spacing unit.

(4) Said spacing unit is within the applicant's San Isidro (Shallow) Unit Area and therefore, has no offset operators other than themselves.

(5) The applicant has satisfactorily met all requirements prescribed in Rules 2 and 8.

(6) The subject application should be approved and the well and unit should be governed by the provisions of Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by said Order No. R-9330, as amended.

IT IS THEREFORE ORDERED THAT:

(1) Energy Development Corporation is hereby authorized a fourth well within the existing 640-acre oil spacing and proration unit in which it is authorized to drill three lateral boreholes extending out from its San Isidro Unit 12 Well No. 11 to be drilled at a surface location 2290 feet from the South line and 2372 feet from the West line (Unit K) of Section 12, Township 20 North, Range 3 West, NMPM, Rio Puerco-Mancos Oil Pool, San Isidro (Shallow) Unit Area, Sandoval County, New Mexico. It is our understanding that said well will be drilled vertically to an approximate depth of 5500 feet in order to evaluate the zone of interest by electric logs. A balanced plug will be placed in the vertical hole from 3550 feet to 3950 feet and three separate laterals will be executed from depths of 3721 feet, 3965 feet and 4411 feet. Each lateral is to be in a north-northwesterly direction and is to extend a distance of approximately 1750 feet from the vertical borehole.

(2) The operator shall have the entire well surveyed including each lateral drilled. Further, the operator shall forward a copy of these wells' survey reports directly to the Santa Fe Office and to the Aztec District Office of the Division.

(3) The operator shall notify the Division's Aztec District Office of the date and time each lateral is to be commenced.

(4) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths.

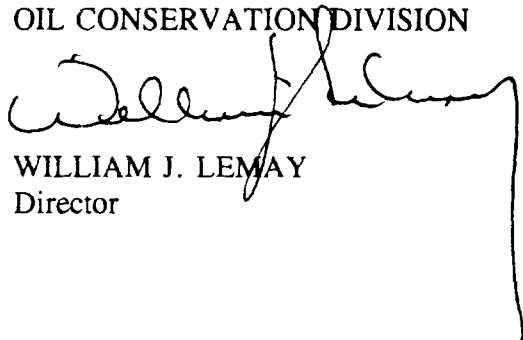
(5) The applicant shall comply with the terms of Rule 10 of said Order No. R-9330 with respect to all three wells within the 640-acre spacing unit.

(6) The applicant shall operate said well and unit and conduct said directional drilling operations in accordance with the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit as promulgated by Division Order No. R-9330, as amended.

(7) 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

S E A L

WJL/MES/amg

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
File: Case No. 10100
DD-52(H)