

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF BLACKWOOD & NICHOLS CO. A
LIMITED PARTNERSHIP FOR DIRECTIONAL
DRILLING, AND AN UNORTHODOX
WELL LOCATION,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 10201

AFFIDAVIT

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<i>SW</i>	EXHIBIT NO. <u>4</u>
CASE NO.	<u>10201</u>

STATE OF NEW MEXICO)
)ss.
COUNTY OF SANTA FE)

WILLIAM F. CARR, attorney in fact and authorized representative of Blackwood & Nichols Co. a Limited Partnership, the Applicant herein, being first duly sworn, upon oath, states that the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested persons entitled to receive notice as shown by Exhibit "A" attached hereto, and that pursuant to Rule 1207, notice has been given at the correct addresses provided by such rule.

William F. Carr

WILLIAM F. CARR

SUBSCRIBED AND SWORN to before me this 8th day of January, 1991.

Frankel Yenne

Notary Public

My Commission Expires:

August 19, 1991

EXHIBIT A

State of New Mexico
State Land Office
Post Office Box 1148
Santa Fe, New Mexico 87504

Meridian Oil, Inc.
21 Desta Drive
Midland, Texas 79705

Meridian Oil, Inc.
Post Office Box 4239
Houston, Texas 77210

Bureau of Land Management
Petroleum Clubplaza
Farmington, New Mexico 87401

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
ANNIE-LAURIE COOGAN

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

December 18, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

State of New Mexico
State Land Office
Post Office Box 1148
Santa Fe, New Mexico 87504

Re: Application of Blackwood & Nichols Co. a Limited Partnership for Directional Drilling and an Unorthodox Well Location, Rio Arriba County, New Mexico

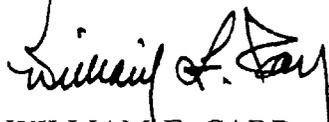
Gentlemen:

This letter is to advise you that Blackwood & Nichols Co. a Limited Partnership ("Blackwood & Nichols") has filed an application with the New Mexico Oil Conservation Division seeking approval to directionally drill its Northeast Blanco Unit Well No. 475 from a surface location 2560 feet from the South line and 1695 feet from the West line of Section 20, Township 30 North, Range 7 West, to an unorthodox bottomhole location within 50 feet of a point 1750 feet from the North line and 54 feet from the East line of Section 19, Township 30 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico, in the Fruitland formation, Basin Fruitland Coal Gas Pool.

This application has been set for hearing before an Examiner of the Oil Conservation Division on January 10, 1991. You do not need to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at the hearing or otherwise become a party of record at that time will preclude you from challenging this matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR BLACKWOOD & NICHOLS CO. A LIMITED PARTNERSHIP
WFC:mlh

P-106 678 299

FOR CERTIFIED MAIL
 RETURN RECEIPT PROVIDED
 BY THE UNITED STATES MAIL
 (See Reverse)

Sent to: State of New Mexico State Land Office	
Street and No. Post Office Box 1148	
P.O. State and ZIP Code Santa Fe, New Mexico 87504	
Postage	5
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	2.00
Postmark or Date DEC 18 1990	

PS Form 3800 June 1985

3 and 4. **SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.** Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 State of New Mexico
 State Land Office
 Post Office Box 1148
 Santa Fe, New Mexico 87504

4. Article Number
 P-106 678 299

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for merchandise

Always obtain signature of addressee or agent and DATE SIGNED.

5. Signature - Addressee
 X *[Signature]*

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY requested and **DATE SIGNED**)
 Santa Fe, New Mexico 87504

PS Form 3811, Mar. 1988 * U.S.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

USPO
 1990
 PRINT

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
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SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

December 18, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Meridian Oil, Inc.
21 Desta Drive
Midland, Texas 79705

Re: Application of Blackwood & Nichols Co. a Limited Partnership for
Directional Drilling and an Unorthodox Well Location, Rio Arriba County,
New Mexico

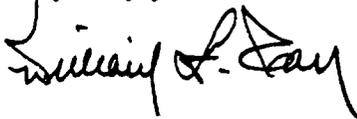
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 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Meridian Oil, Inc.
 21 Desta Drive
 Midland, Texas 79705

4. Article Number
P-106 678 298

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Address
 X

6. Signature Agent
 X *Barbara Switt*

7. Date of Delivery
12-21-90

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-665 DOMESTIC RETURN RECEIPT

P-106 678 298

RECEIPT FOR CERTIFIED MAIL
 See Reverse

Send to Meridian Oil, Inc.	
Street and No. 21 Desta Drive	
P.O., State and ZIP Code Midland, Texas 79705	
Postage	3
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	3.00
Postmark or Date: DEC 18 1990	

CAMPBELL & BLACK, P.A.
LAWYERS

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WILLIAM F. CARR
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SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

December 18, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Bureau of Land Management
Petroleum Clubplaza
Farmington, New Mexico 87401

Re: Application of Blackwood & Nichols Co. a Limited Partnership for
Directional Drilling and an Unorthodox Well Location, Rio Arriba County,
New Mexico

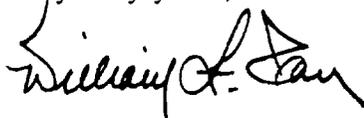
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3. Article Addressed to:
 Bureau of Land Management
 Petroleum Clubplaza
 Farmington, New Mexico 87401

4. Article Number
 P-106 678 300

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Agent
 X *[Signature]*

6. Addresser's Address (ONLY if requested and fee paid)
 1235 So. Platte Hwy.
 87401

7. Date of Delivery
 12-20-90

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

P-106 678 300

RECEIPT FOR CERTIFIED MAIL
 U.S. POSTAL SERVICE
 FORM 3811, MAR. 1988

Sent to Bureau of Land Management	
Street and No. Petroleum Clubplaza	
P.O. State and ZIP Code Farmington, New Mexico 87401	
Postage	5
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	2.25
Postmark or Date DEC 18 1990	

CAMPBELL & BLACK, P.A.

LAWYERS

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BRUCE D. BLACK
MICHAEL B. CAMPBELL
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TELEPHONE: (505) 988-4421
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December 18, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Meridian Oil, Inc.
Post Office Box 4239
Houston, Texas 77210

Re: Application of Blackwood & Nichols Co. a Limited Partnership for
Directional Drilling and an Unorthodox Well Location, Rio Arriba County,
New Mexico

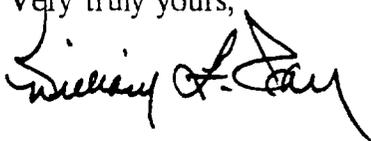
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1. Show to whom delivered, date, and addressee's address. (Extra charge)
 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Meridian Oil, Inc.
 Post Office Box 4239
 Houston, Texas 77210

4. Article Number
 P-106 678 297

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature Agent
 X *[Signature]*

7. Date of Delivery
 DEC 26 1990

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

P-106 678 297

RECEIPT FOR CERTIFIED MAIL
 See Reverse

To: Meridian Oil, Inc.	
Street and No. Post Office Box 4239	
P.O. State and ZIP Code Houston, Texas 77210	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date DEC 18 1990	

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. 10201
Order No. R-9421

APPLICATION OF BLACKWOOD & NICHOLS
CO. A LIMITED PARTNERSHIP FOR
DIRECTIONAL DRILLING AND AN UNORTHODOX
COAL GAS WELL LOCATION, RIO ARRIBA
AND SAN JUAN COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 10, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of January, 1991, 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.

CASE NO. 10201
Order No. R-9421
Page -2-

(2) The applicant, Blackwood & Nichols Co. a Limited Partnership, seeks authority to directionally drill its Northeast Blanco Unit Well No. 475 from a proposed surface location 2560 feet from the South line and 1695 feet from the West line (Unit K) of Section 20, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, in such a manner as to bottom the well in the Basin-Fruitland Coal Gas Pool within 50 feet of a point 1750 feet from the North line and 54 feet from the East line (Unit H) of adjoining Section 19 in San Juan County, said bottomhole location being unorthodox for the Basin-Fruitland Coal Gas Pool.

(3) The applicant proposes to dedicate the E/2 equivalent of said Section 19, which is in both Rio Arriba and San Juan Counties, New Mexico, to the subject well forming a standard 320-acre, more or less, gas spacing and proration unit for said pool.

(4) According to evidence presented, the applicant is unable to drill the proposed well from a surface location in the NE/4 of said Section 19 due to the presence of Navajo Reservoir.

(5) According to further evidence, the applicant is unable to drill the subject well from a surface location in closer proximity to the NE/4 of said Section 19 due to topographic obstructions, the presence of Navajo Dam, and Bureau of Reclamation safety requirements associated therewith.

(6) Testimony by the applicant further indicates that the proposed bottomhole location is unorthodox due to the proposed surface location and due to mechanical restrictions associated with directionally drilling a distance greater than proposed.

(7) The proposed well locations, both surface and bottomhole, are located within the applicant's Northeast Blanco Unit, thereby assuring that correlative rights will be protected.

(8) Meridian Oil Inc., the only offset operator, did not appear at the hearing in opposition to the application.

CASE NO. 10201
Order No. R-9421
Page -3-

(9) Approval of the proposed directional drilling and unorthodox bottomhole location will afford the applicant a feasible means by which to recover its just and equitable share of the gas in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 19, 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 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) The applicant should further be required to submit copies of said directional surveys to the Santa Fe and Aztec offices of the Division.

(12) The applicant should notify the supervisor of the Aztec district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Blackwood & Nichols Co. a Limited Partnership, is hereby authorized to directionally drill its Northeast Blanco Unit Well No. 475 from a surface location 2560 feet from the South line and 1695 feet from the West line (Unit K) of Section 20, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, in such a manner as to bottom the well in the Basin-Fruitland Coal Gas Pool within 50 feet of a point 1750 feet from the North line and 54 feet from the East line (Unit H) of adjoining Section 19 in San Juan County, said bottomhole location being unorthodox for the Basin-Fruitland Coal Gas Pool.

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.

CASE NO. 10201
 Order No. R-9421
 Page -4-

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.

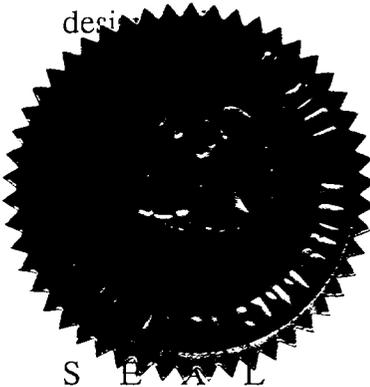
(2) The applicant shall notify the supervisor of the Aztec district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the well in order that these operations may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Aztec offices of the Division upon completion.

(3) 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.

(4) The E/2 equivalent of said Section 19, which is in both Rio Arriba and San Juan Counties, New Mexico, shall be dedicated to the above-described well forming a standard 320-acre, more or less, gas spacing and proration unit for said pool.

(5) Jurisdiction is hereby 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
 decided



STATE OF NEW MEXICO
 OIL CONSERVATION DIVISION

William J. Lemay
 WILLIAM J. LEMAY
 Director