

Well file

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RICHARD T.C. TULLY
MICHAEL CUNNINGHAM

June 20, 1991

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ENV. AFF.	OTHER
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ALL SURV.	ALL ENPL.
FILES	

Don EDE

Robert G. Stovall, Esq.
General Counsel
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

Frank T. Chavez
Supervisor and Oil & Gas Inspector
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Ron Fellows
Area Manager
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

A-23-29N-13

Re: Locke-Taylor Drilling Company
Tycksen #1 Well, Gallegos Canyon Unit #391 Well,
and Gallegos Canyon Unit #390 Well
San Juan County, New Mexico

Gentlemen:

This lawfirm represents Louise Y. Locke who is the owner of the operating rights from the surface to the base of the Pictured Cliffs Formation of the N/2 of Section 23, T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico. The Howard Tycksen Pooled Unit #1 Well, with a N/2 of Section 23 dedication, is located in the NE/4 of Section 23, and has been producing from the Fruitland Formation since April 19, 1954 (over 37 years). The N/2 of Section 23 from the surface to the base of the Pictured Cliffs Formation and the Howard Tycksen Pooled Unit #1 Well have never been committed to the Gallegos Canyon Unit.

BHP Petroleum (Americas) Inc. has filed Applications for Permit to Drill the Gallegos Canyon Unit #391 and #390 Wells, with both wells to be Fruitland Formation wells.

Robert G. Stovall, Esq.
Frank T. Chavez
Ron Fellows
June 20, 1991
PAGE TWO

BHP has located the Gallegos Canyon Unit #391 Well in the NE/4 of Section 23; the Well has been drilled to total depth, but not completed; and it has an E/2 of Section 23 dedication. The Gallegos Canyon Unit #390 Well has been located in the SW/4 of Section 23; it has a W/2 of Section 23 dedication; but we do not know the status of the drilling of this well.

The wellhead for the Gallegos Canyon Unit #391 Well is located approximately 130 feet from the wellhead of the Howard Tycksen Pooled Unit #1 Well, and approximately 100 feet from the meterhouse of the Howard Tycksen Pooled Unit #1 Well.

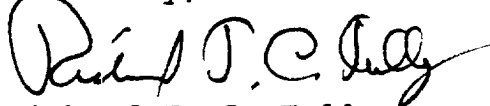
Our client has notified BHP of the trespass in the NE/4 of Section 23, but the attempts to negotiate a settlement have come to a standstill. BHP does recognize the ownership of Louise Y. Locke from the surface to the base of the Pictured Cliffs Formation in the N/2 of Section 23.

The Fruitland Formation ownership of our client in the N/2 of Section 23 brings into question the E/2 and the W/2 dedications of the Gallegos Canyon Unit #391 and #390 Wells because our client owns 100% of the N/2, or 50% in the E/2 and 50% in the W/2 of Section 23.

This letter is to request the NMOCD and the BLM to cease all further operations of BHP for the Gallegos Canyon Unit #391 and #390 Wells until this trespass matter is resolved. In particular, our client is concerned that if BHP completes the Gallegos Canyon #391 Well in the NE/4 that these activities and operations will adversely affect the Howard Tycksen Pooled Unit #1 Well.

Please advise if we can provide further information or assistance in securing the cessation of any further operations of BHP for these two wells until the trespass matter is resolved.

Sincerely,



Richard T. C. Tully

RTCT:sak

cc: Louise Y. Locke
c/o Don Locke
139-1/2 East 2nd Street
Rifle, CO 81650

S155/52532L



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Resource Area
1235 Laplata Highway
Farmington, New Mexico 87401

Gallegos Canyon Unit (GC)

3180 (019)



IN REPLY REFER TO:

JUL 12 1991

Mr. Richard Tully, P.A.
P.O. Box 268
Farmington, NM 87499-0268

Dear Mr. Tully:

Your letter of June 20, 1991, requested this office to issue BHP Petroleum, as operator of the Gallegos Canyon Unit, an order to cease all operations on Well No's. 390 and 391 because of your concerns about trespass on patented lands in the N/2 Sec. 23, T. 29 N., R. 13 W. These patented lands are not committed to the Gallegos Canyon Unit.

We are unable to comply with your request for the following reasons. Well No. 391 was drilled in the NE/4 of Sec. 23 on patented lands. The BLM has no jurisdiction on operations on patented or state lands and therefore cannot address your trespass issue. Well No. 390 is currently being drilled on Federal Oil and Gas Lease NM-3654, which is committed to the Gallegos Canyon Unit. Since this well is located in an approved location within the unit, we decline to issue an order to BHP Petroleum to cease all operations.

As you are aware, the NMOCD has established 320 acre spacing for the Fruitland Coal. Both of these wells are being drilled within the established spacing. Upon their completion, BHP will be required to submit communitization agreements (CA's) covering each well. These CA's will allocate production to both the Gallegos Canyon Unit and those patented lands not committed to the unit.

Please call Duane Spencer at 327-5344 if you have any questions concerning this matter.

Sincerely,

/s/ John L. Keller

FOR John Phillips
Acting Area Manager

RECEIVED

JUL 15 1991

OIL CON. DIV.
DIST. 3

1 Enclosure

1 - Copy of June 20, 1991 Letter

cc:

BHP Petroleum (Americas) Inc., 5847 San Felipe, Ste. 3600,
Houston, TX 77057-3005

New Mexico Oil Conservation Division, 1000 Rio Brazos Rd., Aztec, NM 87410