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

GARREY CARRUTHERS  
GOVERNOR

E-34-31-7  
Net 0  
2-12  
September 17, 1990

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

Blackwood & Nichols Co., Ltd.  
P.O. Box 1237  
Durango, CO 81302

Attention: Roy W. Williams

**RECEIVED**  
SEP 21 1990  
OIL CON. DIV.  
DIST. 3

*Administrative Order DD-46*

Dear Mr. Williams:

By Administrative Order NSL-2504, dated April 22, 1988, the Division granted Blackwood & Nichols Co., Ltd. authority to drill the Northeast Blanco Unit Well No. 404 at an unorthodox gas well location 1730 feet from the North line and 260 feet from the West line (Unit E) of Section 34, Township 31 North, Range 7 West, NMPM, Undesignated Los Pinos Fruitland Coal Gas Pool, San Juan County, New Mexico. The NW/4 of said Section 34 was dedicated to said well forming a standard 160-acre gas spacing and proration unit. Subsequent to the issuance of said Administrative Order, this well was placed in the Basin-Fruitland Coal Gas Pool wherein the W/2 of said Section 34 was dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

It is now our understanding, by your application dated August 14, 1990, that Blackwood & Nichols Co., Ltd. is seeking to drill a replacement well for the No. 404 well due to low production resulting from undesirable completion techniques for this area. The replacement well, Northeast Blanco Unit No. 404-R is to be directionally drilled from a surface location in the SW/4 NW/4 (Unit E) of said Section 34 to a bottomhole location in the SW/4 of said Section 34 which underlies the Navajo Reservoir.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rule 111(d) and (e) of the Division General Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators have been duly notified;

- (3) The applicant has presented satisfactory evidence that all requirements prescribed in General Rule 111 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Blackwood & Nichols Co., Ltd., is hereby authorized to directionally drill its Northeast Blanco Unit Well No. 404-R, the surface location of which shall be 1741 feet from the North line and 379 feet from the West line (Unit E) of Section 34, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, by kicking off from the vertical at a depth of approximately 350 feet, and drilling in such a manner as to bottom in the Basin-Fruitland Coal Gas Pool at a standard coal gas well location within the SW/4 of said Section 34.

**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.

(2) 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.

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

(4) The existing standard 320-acre gas spacing and proration unit comprising the W/2 of said Section 34 shall be dedicated to the replacement well.

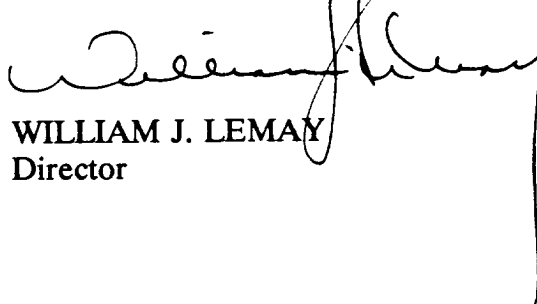
**HOWEVER**, should the No. 404-R well be placed on production, the Northeast Blanco Unit Well No. 404 shall cease production from the subject pool, whereby it will either be converted to a pressure observation well or plugged and abandoned.

*Administrative Order DD-46*  
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(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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a long vertical line extending downwards from the end of the signature.

WILLIAM J. LEMAY  
Director

S E A L

cc: Oil Conservation Division - Aztec  
US Bureau of Land Management - Farmington  
US Bureau of Reclamation - Durango  
NM Parks & Recreation Division - Santa Fe