

BANNON ENERGY INCORPORATED

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RECEIVED

AUG 23 1989

OIL CONSERVATION DIV.
SANTA FE

August 16, 1989

Mr. Mike Stogner
Energy and Minerals Dept.
Oil Conservation Division
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

RE: Approval of Non Standard Location - Lybrook 19-2R
2157' FSL x 2004' FWL
Sec. 19, T24N, R6W, Devils Fork Gallup Field
Rio Arriba County, New Mexico

Dear Mr. Stogner

Please accept this letter as request for approval of non-standard location for the above referenced well. This well is being drilled as a replacement well for the Lybrook 19-2 which was a Gallup producer and will be abandoned concurrently with the drilling and completion of the referenced well.

The archaeological survey was conducted on June 28, 1989. The Lybrook 19-2 was staked at the above referenced location. We request your approval of a location exception based on the following:

The Division of Conservation Archeology of the San Juan County Museum Association conducted an archeological survey of the location area. One site was located during the survey along the eastern edge of the cultural buffer zone on the southeast side of the proposed Lybrook 19-2R well pad. The report no. 1628 ATTACHMENT NO. 1 recommended clearance for the proposed well pad and access road/pipeline.

Bannon operates the west offset well, (Lybrook 19-2), to be plugged, which is located to the southwest approximately 200 feet of the proposed well. Since the Devils Fork Gallup pool is spaced on 320 acres, no offset drainage problems will exist.

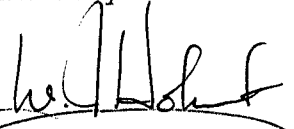

Mr. Mike Stogner
RE: Lybrook 19-2R - Non Standard Location

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Page 2

ATTACHMENT NO. 2 is a map of offset leases within a one mile radius of the proposed location. The offset operators have been notified of this non-standard location request and copies of the registered receipts are shown as ATTACHMENT NO. 3.

Should you have any questions regarding this matter, please call Brad Salzman at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WJH: ck

Attachments

cc: Ernie Busch
NMOCD - Aztec, New Mexico

ABSTRACT

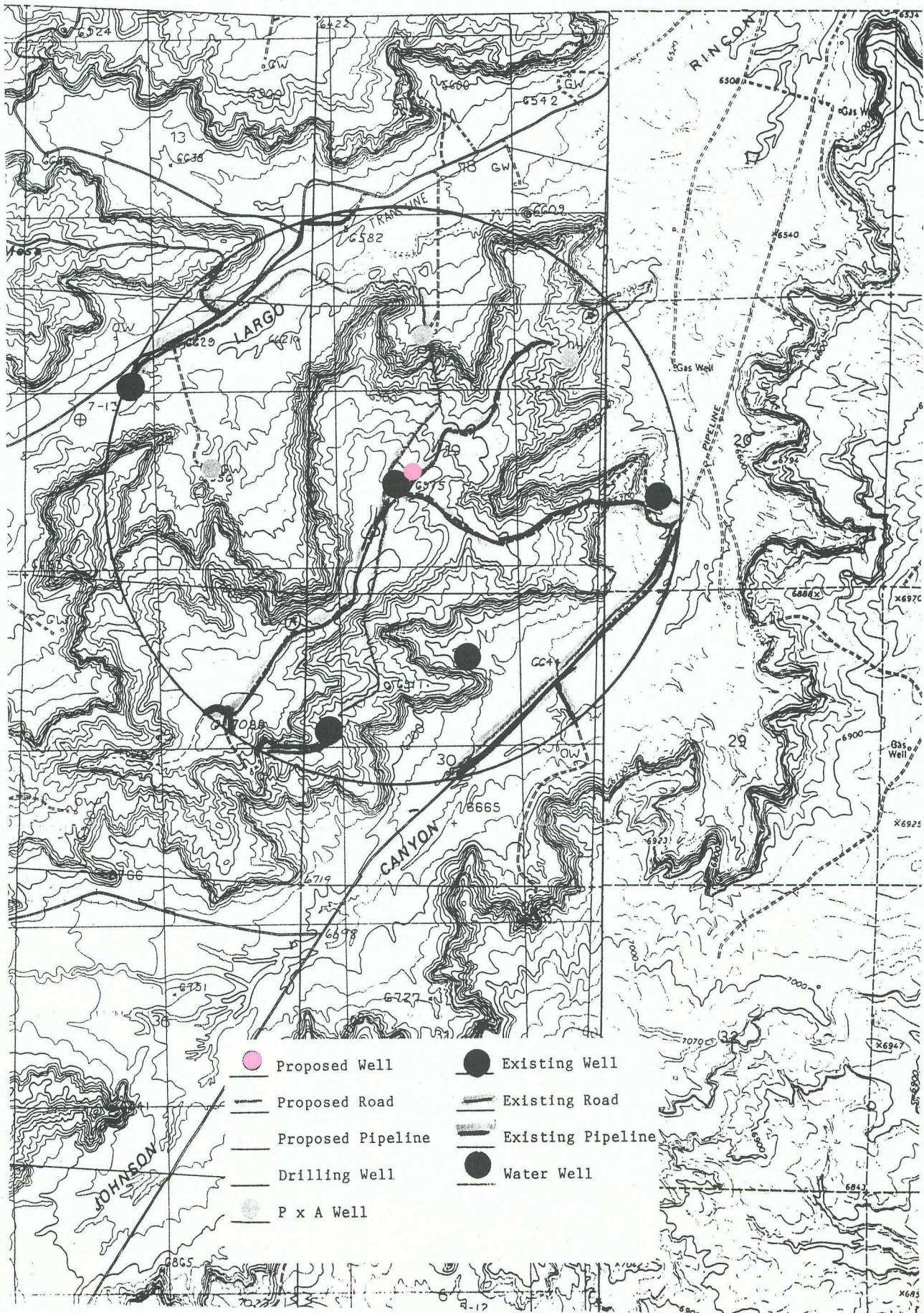
On June 28, 1989, the Division of Conservation Archaeology of the San Juan County Museum Association completed an archaeological survey of proposed well pad Lybrook 19-2R and access road/pipeline for Bannon Energy, Inc. The survey area is located northeast of Lybrook, Rio Arriba County, New Mexico and is under the jurisdiction of the Navajo Nation with a fee surface and with minerals under the jurisdiction of the Bureau of Land Management. Approximately 5.74 acres were intensively inventoried.

One site, DCA-89-365, was located during survey of the project area. The site is a Navajo Dinetah lithic and ceramic scatter located along the eastern edge of the cultural buffer zone on the southeast side of the proposed Lybrook 19-2R well pad.

Archaeological clearance is recommended for the proposed Lybrook 19-2R well pad and access road/pipeline.

Lybrook 19-2R
 2157' FSL, 2004' FWL
 Sec. 19 T24N R6W NMPM
 Rio Arriba Co., NM

ATTACHMENT TO EXHIBIT "E"



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 this 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 box(es) for additional service(s) requested.

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

3. Article Addressed to: Flag-Redfern Oil Co. 1200 Wall Towers W. Box 11050 Midland, Texas 79702	4. Article Number P 117 123 975
5. Signature - Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X <i>[Signature]</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 8-18-89	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-365 DOMESTIC RETURN RECEIPT

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 this 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 box(es) for additional service(s) requested.

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

3. Article Addressed to: J.A. Cole Production P.O. Box 191 Farmington, NM 87499	4. Article Number P 117 123 974
5. Signature - Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X <i>[Signature]</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

EXHIBIT 8

Form C-107
Revised 10-1-78

All distances must be from the outer boundaries of the Section

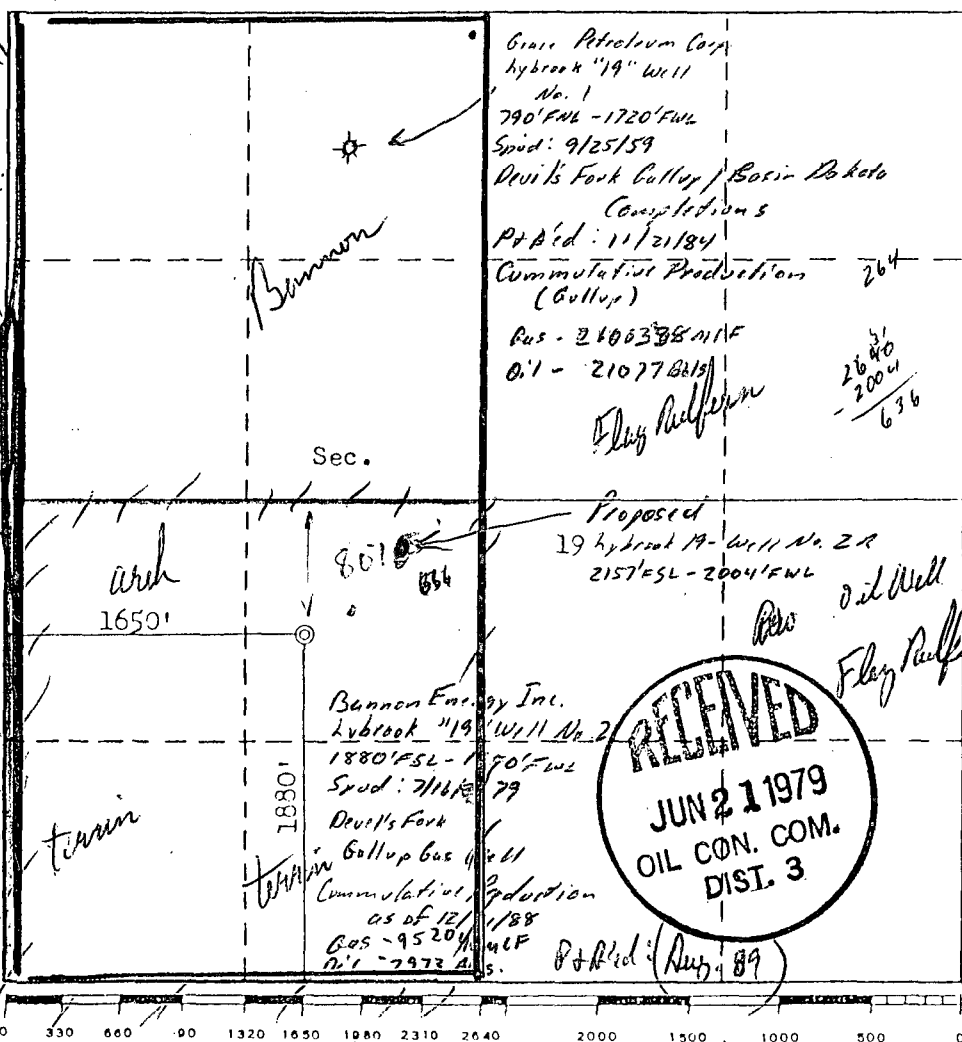
Operator Grace Petroleum Corporation			Lease GRACE-FEDERAL		19 JUL 25 1979		Well No.
Unit Letter K	Section 19	Township 24 N	Range 6W	County Rio Arriba		SANTA FE	
Actual Footage Location of Well: 1880 feet from the South line and 1650 feet from the West line							
Ground Level Elev. 6974	Producing Formation Gallup		Pool Devils Fork	Dedicated Acreage: 160		Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Scotty A. Smith

Name

Scotty A. Smith

Position

District Operations Manager

Company

Grace Petroleum Corporation

Date

June 11, 1979

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

April 26, 1979

Registered Professional Engineer
and/or Land Surveyor

Frederic B. Kerr, Jr.

Certificate No.

2702

KERR, JR.

ASSOCIATED OIL AND GAS POOLS
Northwest and Southeast New Mexico

Order No. R-5353, Adopting Special Rules and Regulations for Certain Associated Oil and Gas Pools and General Rules and Regulations for All Associated Oil and Gas Pools in Northwest and Southeast New Mexico, February 1, 1977.

Order No. R-5353 reclassifies as an oil pool, and rescinds Order No. R-4359, August 1, 1972, as amended by Order No. R-4583, August 1, 1973, adopting rules for the Jennings-Delaware Associated Pool, Lea County, New Mexico.

Order No. R-5353 reclassifies as an oil pool, and rescinds Order No. R-3437, June 18, 1968, as amended by Order No. R-3437-A, July 17, 1969, Order No. R-3437-B, January 15, 1971, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973, adopting rules for the North Paduca-Delaware Pool, Lea County, New Mexico.

Order No. R-5353 reclassifies as an oil pool the Northwest Todd-San Andres Associated Pool. See separate Order No. R-4441-A, February 1, 1977, adopting special rules for the Northwest Todd-San Andres Pool.

Application of the Oil Conservation Commission on its Own Motion to Consider the Adoption of General Rules and Regulations Governing All Associated Oil and Gas Pools of Southeast and Northwest New Mexico and the Adoption of Special Rules for Certain Associated Pools.

CASE NO. 5813
Order No. R-5353

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 23, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of January, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the Commission has heretofore created and designated six pools in Northwest New Mexico and 15 pools in Southeast New Mexico as "associated" oil and gas pools, being pools in which a gas cap was found to overlie an oil zone.

(3) That in order to prevent waste and to protect correlative rights, the Commission has heretofore promulgated special rules and regulations for said associated oil and gas pools, as follows:

NORTHWEST NEW MEXICO

POOL	COUNTY	ORDER NO.
Angels Peak-Gallup	San Juan	R-1410-C
Devils Fork-Gallup	Rio Arriba	R-5181
Escrito-Gallup	Rio Arriba	R-1793-A
Gallegos-Gallup	San Juan	R-3707
Tapacito-Gallup	Rio Arriba	R-3211
Tocito Dome-Pennsylvanian "D"	San Juan	R-2758

SOUTHEAST NEW MEXICO

POOL	COUNTY	ORDER NO.
Bluitt-San Andres	Roosevelt	R-1670-I
Southeast Chaves Queen Gas Area	Chaves	R-4435
South Dagger Draw-Upper Pennsylvanian	Eddy	R-4637
Double L-Queen	Chaves	R-3981-A
Jennings-Delaware	Lea	R-4359
Mesa-Queen	Lea	R-2935
North Paduca-Delaware	Lea	R-3437
Penasco Draw-San Andres-Yeso	Eddy	R-4365
Peterson-Pennsylvanian	Roosevelt	R-4538
Round Tank-Queen	Chaves	R-1670-J
Sawyer-San Andres	Lea	R-1517
Todd-Lower San Andres	Roosevelt	R-1670-G
		R-3153
Northwest Todd-San Andres	Roosevelt	R-4441
Twin Lakes-San Andres	Chaves	R-4102
Vest Ranch-Queen	Chaves	R-5180

(4) That the aforesaid special rules and regulations for the above-named associated oil and gas pools provide, among other things, for the definition of oil wells and gas wells, the size of oil spacing units and gas spacing units, standard well locations, gas-oil ratio limitations, well testing, and gas well allowables.

(5) That there is a wide variation in the various special pool rules applicable to the aforesaid associated pools, not only in substantive content and purpose, but also in format and general manner of presentation.

(6) That said variations have caused confusion and have resulted in unnecessary administrative burden to both the operators in said pools and the Commission.

(7) That the adoption of general rules applicable to all associated pools, with provision for certain special rules applicable to particular pools only, would tend to eliminate said confusion and would ease the administrative burden of both the operators in said pools and the Commission.

(8) That in order to more nearly equalize the time frame within which oil wells and gas wells in associated pools may produce their current allowable, thereby equalizing withdrawals from their respective portions of the associated reservoir, the general rules for associated pools should provide for a one-month proration period for gas wells, and oil wells should continue to be operated under the provisions of Rule 502 of the Commission General Rules and Regulations.

(9) That in order to provide a reasonable period of time for the production of the current allowable from a gas well in an

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

associated pool, provision should be made in the general associated pool rules for underproduction from such well to be carried forward into subsequent proration periods, provided however, that such underproduction in excess of three times the current monthly allowable should not be carried forward, but should be cancelled.

(10) That in order to provide a reasonable period of time in which overproduction of current allowable by a gas well in an associated pool may be compensated for by underproduction, provision should be made in the general associated pool rules for such overproduction to be carried forward into subsequent proration periods, provided however, that any well which is overproduced by an amount exceeding three times its current monthly allowable should be shut in until such well is overproduced by an amount less than three times its current monthly allowable.

(11) That the volumetric gas allowable formulas applicable to the Bluit-San Andres Associated Pool and the Todd-Lower San Andres Associated Pool are no longer effective and should not be included in the special pool rules for said pools.

(12) That the inclusion of liquid gravity as a criterion in the classification of oil wells and gas wells in the Angels Peak-Gallup, Devils Fork-Gallup, Bluit-San Andres, Peterson-Pennsylvanian, and Todd-Lower San Andres Pools appears to serve no useful purpose, and should be discontinued.

(13) That the Jennings-Delaware Associated Pool and the North Paduca-Delaware Associated Pool, as heretofore created and defined, no longer fit the associated pool classification, and that said pools should be redefined as oil pools subject to the Commission General Rules and Regulations, and the Special Rules for said pools should be rescinded.

(14) That the Northwest Todd-San Andres Associated Pool as previously created and defined no longer fits the associated pool classification and should be redefined as an oil pool and the special pool rules therefor amended to provide only for 80-acre oil well spacing units and a gas-oil ratio limitation of 5000 to 1.

(15) That the existing special associated pool rules for the remaining 18 associated pools which provide for spacing of oil wells and gas wells, oil well and gas well locations, definition of oil wells and gas wells based on gas-liquid ratios, and special gas-oil ratio limitations, any of which are in conflict with the general rules and regulations for associated pools should be retained, but should be incorporated in one overall order applicable to associated oil and gas pools, and the orders presently applicable to said pools superseded.

(16) That the gas well location requirements for the Double L-Queen Associated Pool should be amended to comply with the general rules and regulations for associated pools.

(17) That all associated pool gas well underproduction should be cancelled as of January 31, 1977.

(18) That the Secretary-Director of the Commission should be authorized to administratively reinstate such cancelled underproduction, up to three times the current monthly allowable, upon a showing by the operator that such underproduction could be made up.

(19) That the rescission, amendment, and supersedure of the Special Pool Rules listed in Finding No. (3) above, and the adoption of General Rules applicable to the associated oil and gas pools in the State of New Mexico in accordance with the above findings will prevent waste and protect correlative rights, is in the public interest, and should be approved.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1977, general rules and regulations are hereby adopted for the associated oil and gas pools of northwest and Southeast New Mexico as follows:

GENERAL RULES AND REGULATIONS FOR THE ASSOCIATED OIL AND GAS POOLS OF NORTHWEST NEW MEXICO AND SOUTHEAST NEW MEXICO.

(See Special Pool Rules for each pool for rules applicable to that particular pool. Special Pool Rules will be found in the same classification order as in the General Section. If the Special Rule is in conflict with the General Rule, the Special Rule shall be applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1. Any well drilled to the producing formation of an associated pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2. (a) See Special Pool Rules for applicable size of oil and gas spacing and proration units. Unless otherwise specified by the Special Pool Rules, 40-acre units shall comprise a governmental quarter-quarter section substantially in the form of a square, being a legal subdivision of the United States Public Land Surveys; 80-acre units shall comprise two contiguous quarter-quarter sections, being the N/2, S/2, E/2, or W/2 of a single governmental quarter section; 160-acre units shall comprise a governmental quarter section; and 320-acre units shall comprise two contiguous quarter sections, being the N/2, S/2, E/2, or W/2 of a single governmental section.

RULE 2. (b) Each well drilled or completed on a spacing and proration unit within an associated pool governed by these rules shall be located as provided below:

OIL WELLS AND GAS WELLS - NORTHWEST NEW MEXICO

Standard Proration Unit	Location Requirements
40 Acres	Not closer than 330 feet to the boundary of the tract
80, 160 and 320 Acres	Not closer than 790 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary

OIL WELLS - SOUTHEAST NEW MEXICO

Standard Proration Unit	Location Requirements
40 Acres	Not closer than 330 feet to the boundary of the tract
80 and 160 Acres	Within 150 feet of the center of the quarter-quarter section wherein located

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)

GAS WELLS - SOUTHEAST NEW MEXICO

Standard Proration Unit	Location Requirements
160 Acres	Within 150 feet of the center of the quarter-quarter section wherein located
320 Acres	Not closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary

RULE 2. (c) The Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Rule 2(b) above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or where the size and shape of an approved non-standard spacing and proration unit render a standard location impossible.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Secretary-Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 3. (a) Each gas well shall be located on a standard unit containing 160 acres or 320 acres, more or less, as provided in the special rules for the pool in which it is situated.

(b) Each oil well shall be located on a standard unit containing 40 acres, 80 acres or 160 acres, more or less, as provided in the special rules for the pool in which it is situated.

RULE 4. (a) The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 3(a) or 3(b) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

(1) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(2) Assigning an allowable to the non-standard unit.

(b) The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3(a) or Rule 3(b), when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

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

(2) The non-standard unit lies wholly within a governmental subdivision or subdivisions which would be a standard unit for the well (half quarter section, quarter section, or half section) but contains less acreage than a standard unit.

(3) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half quarter section, quarter section or half section (for 80-acre, 160-acre, and 320-acre standard dedications respectively) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(4) In lieu of Paragraph (3) of this rule, the applicant may furnish proof of the fact that all of the foresaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

B. WELL CLASSIFICATION AND GAS-OIL RATIO LIMITATION

RULE 5. (a) A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons.

(b) The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. That the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced.

RULE 7. An oil well shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-oil ratio for the pool. In the event there is more than one oil well on an oil proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-oil ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is a number equal to the number of acres in a standard oil proration unit in such pool. In the event there is more than one gas well on a gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)

C. WELL TESTING

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut-in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. (a) Semi-annual gas-liquid ratio tests shall be taken on all wells during each year in accordance with a test schedule prepared by the district office of the Commission. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The supervisor of the appropriate district office of the Commission may grant an exception to the above test requirements where it is demonstrated that the well(s) produce(s) no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

(b) The Secretary-Director of the Commission shall have authority to grant pool-wide exceptions to Rule 9(a) above, without notice and hearing upon a showing that production from wells within such pool has stabilized to the point where such tests would be of essentially no value for application of these general rules for associated pools.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

D. ASSIGNMENT OF ALLOWABLE

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-102, C-104, C-116, and, in the case of a gas well, a transporter's notice of gas connection, properly executed. The District Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-oil ratio for the pool.

E. GAS PRORATIONING

RULE 12. The associated gas proration period shall be the proration month which shall begin at 7 a.m. on the first day of the month and shall end at 7 a.m. on the first day of the next succeeding month.

RULE 13. (a) Any associated gas well which has an under-produced status at the end of any associated gas proration period, shall carry such underproduction into subsequent periods.

(b) Underproduction in excess of three times the current monthly allowable shall not be carried forward but shall be cancelled. For purposes of this rule, the monthly allowable shall be the full monthly allowable which would be assigned an associated gas well with the same acreage dedication in the same pool.

(c) Overproduction during any month shall be applied to a well's cumulative underproduction, if any, calculated in accordance with Paragraphs (a) and (b) above.

RULE 14. Any associated gas well which has an overproduced status at the end of any associated gas proration period shall carry such overproduction into subsequent periods. If at any time a well is overproduced an amount exceeding three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 15. The allowable assigned to a well during any one month of an associated gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 16. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

F. REPORTING OF PRODUCTION

RULE 17. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 18. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

G. GENERAL PROVISIONS

RULE 19. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 20. All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection.

RULE 21. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

(2) That the above General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico shall be applicable to the following associated pools:

NORTHWEST NEW MEXICO

Angels Peak-Gallup	Gallegos-Gallup
Devils Fork-Gallup	Tapacito-Gallup
Escrito-Gallup	Tocito Dome-Pennsylvanian "D"

SOUTHEAST NEW MEXICO

Bluitt-San Andres	Penasco Draw-San Andres-Yeso
Southeast Chaves Queen Gas Area	Peterson-Pennsylvanian
South Dagger Draw-Upper Pennsylvanian	Round Tank-Queen
Double L-Queen	Sawyer-San Andres
Mesa-Queen	Todd-Lower San Andres
	Twin Lakes-San Andres
	Vest Ranch-Queen

(3) That effective February 1, 1977, the following Special Rules and Regulations shall be applicable to the below-named associated pools: (See Special Rules and Regulations applicable to each pool at end of order).

(3) (As Numbered) That effective February 1, 1977, the following orders, as amended, which apply to the aforementioned associated pools (See Special Rules and Regulations carried at end of order for these pools), are hereby superseded:

R-1410-C	R-1670-I	R-1670-J
R-5181	R-4435	R-1517
R-1793-A	R-4637	R-1670-G
R-3707	R-3981-A	R-3153
R-3211	R-2935	R-4102
R-2758	R-4365	R-5180
	R-4538	

(4) That the Jennings-Delaware Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool, and Order No. R-4359 is hereby rescinded, effective February 1, 1977.

(5) That the North Paduca-Delaware Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool, and Order No. R-3437 is hereby rescinded, effective February 1, 1977.

(6) That effective February 1, 1977, the Northwest Todd-San Andres Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool with Order No. R-4441 to be superseded by Order No. R-4441-A, to be issued concomitantly with the instant order, No. R-5353.

(7) That effective January 31, 1977, all underproduction accrued to gas wells in the associated pools affected by this order is hereby cancelled.

(8) That the Secretary-Director of the Commission is hereby authorized to reinstate any well's accrued underproduction cancelled effective January 31, 1977, provided that such reinstated underproduction shall not exceed three times the well's current monthly allowable and provided further that the application for reinstatement of such underproduction shall contain evidence that the affected well is capable of producing such underproduction and that said application is received by the Secretary-Director not later than April 1, 1977.

(9) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

ANGELS PEAK-GALLUP ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Angels Peak-Gallup Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1410, adopting rules for the Angels Peak-Gallup Pool, San Juan County, New Mexico, May 28, 1959, as amended by Order No. R-1410-A, August 11, 1959, as superseded by Order No. R-1410-C, October 1, 1960, as amended by Order No. R-1410-D, July 17, 1962, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)DEVILS FORK-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977, as Amended by Order No. R-5353-G, August 1, 1981.

(Order No. R-5353 supersedes Order No. R-5181, adopting amended rules for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, April 1, 1976. Order No. R-5181 rescinded Order No. R-1670-B, November 1, 1960, adopting rules for the Devils Fork-Gallup Gas Pool, as amended by Order No. R-1670-B-1, October 18, 1962, Order No. R-4367, August 30, 1972, Order No. R-4404, September 27, 1972, and Order No. R-5483, August 1, 1973. Order No. R-1670-B superseded Order No. R-1641-A, June 10, 1960, which superseded Order No. R-1641, March 30, 1960, creating and adopting rules for the Devils Fork-Gallup Gas Pool.)

RULE 2. (As Amended by Order No. R-5353-G, August 1, 1981.) (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

ESCRITO-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Escrito-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1793-A, adopting rules for the Escrito-Gallup Pool, Rio Arriba County, New Mexico, December 1, 1960, as amended by Order No. R-4367, August 30, 1972, Order No. R-4404, September 27, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

GALLEGOS-GALLUP ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Gallegos-Gallup Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3707, adopting rules for the Gallegos-Gallup Pool, San Juan County, New Mexico, May 1, 1969, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

TAPACITO-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3211, creating and adopting rules for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, April 1, 1967, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

RECEIVED

AUG 31 1989

OIL CONSERVATION DIV.
SANTA FE

August 29, 1989

Mr. Mike Stogner
Energy and Minerals Dept.
Oil Conservation Division
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

Re: Approval of Non Standard Location - Federal 8-1
Section 8, T23N-R6W
2173' FSL x 495' FEL
Rio Arriba County, New Mexico

Dear Mr. Stogner

Please accept this letter as request for approval of non-standard location for the above referenced well.

The archaeological survey was conducted on June 15, June 26, July 26, and July 28, 1989. The Federal 8-1 was staked at the above referenced location. We request your approval of a location exception based on the following:

Eight isolates and three sites were located during the survey. Two of the isolates are located on the well pad and the rest are along the pipeline. Two sites are located in the cultural buffer on the north side of the pipeline, and one is located on the ridge top near the abandoned segment of pipeline. The previously recorded site is also located on the ridge top near the abandoned segment of pipeline. The sites are lithic and ceramic scatters and the isolates are ceramic sherds or lithic flakes. The report no. 1624 ATTACHMENT NO. 1 recommended clearance for the proposed well pad and access road/pipeline with the stipulation that an archaeologist monitor the segment of pipeline and access that extends from the well pad to the south-southwest for approximately 900' along the ridge top due to the high amount of cultural material in proximity.

ATTACHMENT NO. 2 is a map of offset leases within a one mile radius of the proposed location. The offset operators have been notified of this non-standard location request and copies of the requested Registered Receipts are shown as ATTACHMENT NO. 3.

Should you have any questions regarding this matter, please call Brad Salzman at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WKH:ck

Attachments

cc: Ernie Busch
NMOCD - Aztec, New Mexico

- off sets ?
- archeological report
- proposed well head
- why cond this well be moved to the South & west



DIVISION OF CONSERVATION ARCHAEOLOGY

San Juan County
Museum Association

August 23, 1989

Mr. Bradley Salzman
Holcomb Oil and Gas
P.O. Box 2058
Farmington, New Mexico 87499

Dear Mr. Salzman:

Our report on the archaeological survey of proposed well pad Bannon Federal 8-1 and access road, pipeline, and abandoned segment of pipeline located southeast of Lybrook, Rio Arriba County, New Mexico is enclosed. Eight isolates and three sites were found. One previously recorded site was also relocated. Two of the isolates are located on the well pad and the rest are along the pipeline. Two sites are located in the cultural buffer zone on the north side of the pipeline, and one is located on the ridge top near the abandoned segment of pipeline. The previously recorded site is also located on the ridge top near the abandoned segment of pipeline. The sites are lithic and ceramic scatters and the isolates are ceramic sherds or lithic flakes.

We have recommended clearance for the Bannon Federal 8-1 well pad and its associated access road and pipeline with the stipulation that an archaeologist monitor the segment of pipeline and access that extends from the well pad to the south-southwest for approximately 900 ft along the ridge top due to the high amount of cultural material in proximity.

The Bureau of Land Management will review this report and make the final decision on archaeological clearance for your project.

Also enclosed is an invoice for our services. Please contact us if you have any questions concerning the report or invoice.

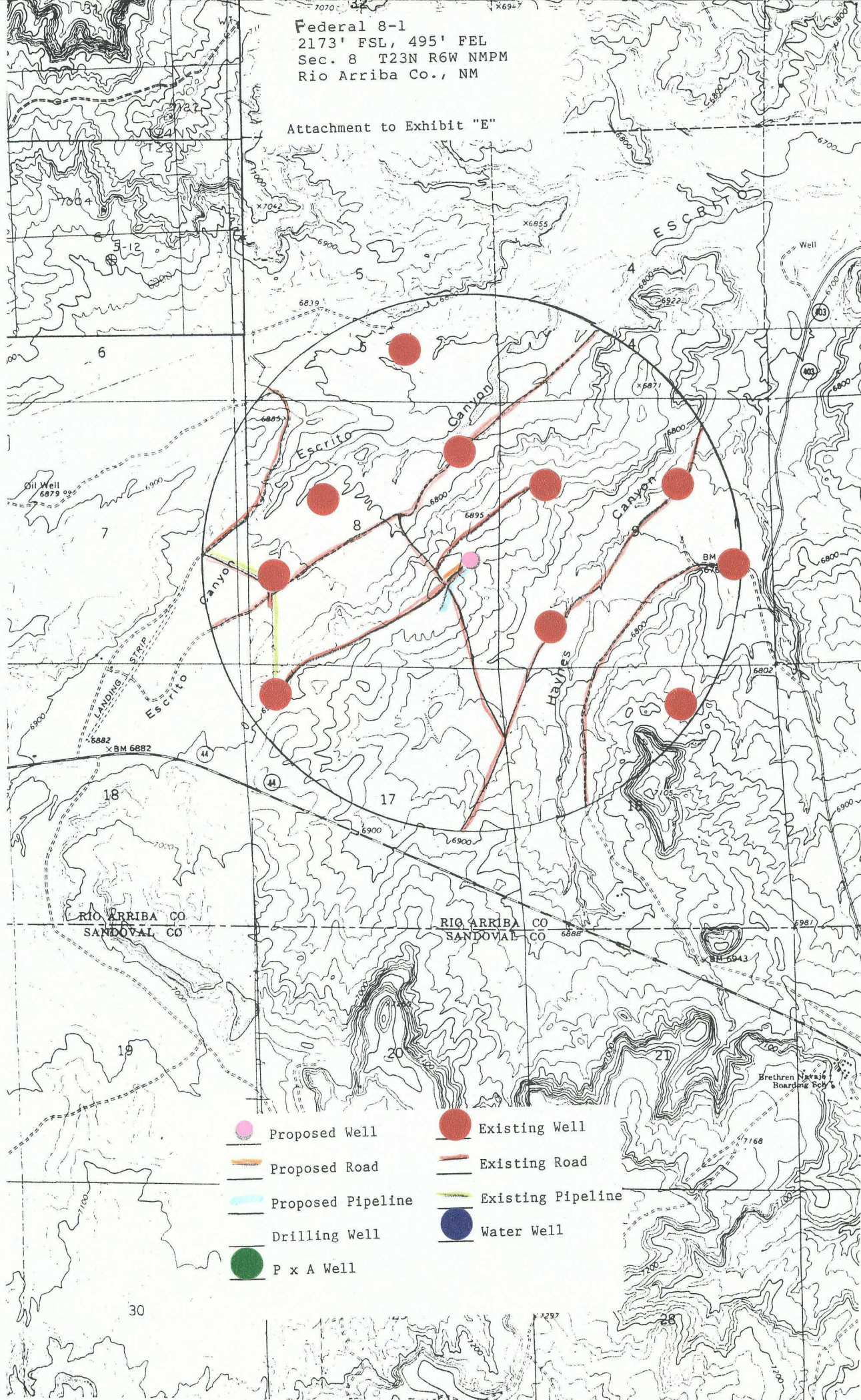
Sincerely,

Patricia Walker-Buchanan
Supervisory Archaeologist

cc: Resource Area Manager, BLM, Farmington (2)
Alan Downer, Navajo Nation, Window Rock

Federal 8-1
2173' FSL, 495' FEL
Sec. 8 T23N R6W NMPM
Rio Arriba Co., NM

Attachment to Exhibit "E"



BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

August 29, 1989

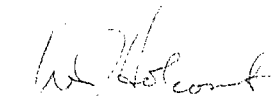
Ramsey Property Management
P.O. Box 13237
Oklahoma City, Oklahoma 73113

Re: Approval of Non Standard Location - Federal 8-1
Section 8, T23N-R6W
2173' FSL x 495' FEL
Rio Arriba County, New Mexico

This letter is to notify you of Bannon Energy, Inc.'s application for permit to drill the Federal 8-1 at a non-standard location as stated above.

Should you have any questions regarding this matter, please call Brad Salzman at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WKH:ck

RETURN RECEIPT REQUESTED
P-117-123-979

BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

August 29, 1989

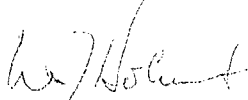
Merrion Oil and Gas Corporation
610 Reilly
Farmington, New Mexico 87499

Re: Approval of Non Standard Location - Federal 8-1
Section 8, T23N-R6W
2173' FSL x 495' FEL
Rio Arriba County, New Mexico

This letter is to notify you of Bannon Energy, Inc.'s application for permit to drill the Federal 8-1 at a non-standard location as stated above.

Should you have any questions regarding this matter, please call Brad Salzman at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WKH:ck

RETURN RECEIPT REQUESTED
P-117-123-980

BANNON ENERGY INCORPORATED

3934 F.M. 1960 West, Suite 240
Houston, Texas 77068
(713) 537-9000
FAX (713) 537-8624

August 29, 1989

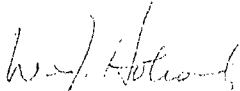
J. A. Cole Production
P.O. Box 191
Farmington, New Mexico 87499

Re: Approval of Non Standard Location - Federal 8-1
Section 8, T23N-R6W
2173' FSL x 495' FEL
Rio Arriba County, New Mexico

This letter is to notify you of Bannon Energy, Inc.'s application for permit to drill the Federal 8-1 at a non-standard location as stated above.

Should you have any questions regarding this matter, please call Brad Salzman at (505) 326-0550. Thank you for your consideration in this matter.

Sincerely



W. J. Holcomb
Operating Agent,
Bannon Energy, Inc.

WKH:ck

RETURN RECEIPT REQUESTED

P-117-123-981

<i>Merrien Oil & Gas Corp. Rita Com Well No. 4 1830' FWH - 1730' FWH Counselors Bullup Dakota Completion</i>			

*Ramsay Property Management
Inc.
Deer Well No. 1
960' FWH - 800' FWH
Counselors Bullup Dakota
Completion*

*Bannon Energy Inc.
Marcus "A" Well
No. 1
1650' FWH - 660' FWH
Counselors Bullup
Dakota Completion*

COUNSELORS GALLUP-DAKOTA POOL
(Formerly Counselors-Gallup Pool)
Rio Arriba County, New Mexico

Order No. R-7034, Creating and Adopting Temporary Operating Rules for the Counselors-Gallup Pool, Rio Arriba County, New Mexico, August 1, 1982, as Amended by Order No. R-7034-A, May 1, 1984.

Application of Merrion Oil & Gas Corp. for Pool Creation and Special Pool Rules, Rio Arriba County, New Mexico.

CASE NO. 7619
Order No. R-7034

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 9 a.m. on July 7, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of July, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Merrion Oil and Gas Corp., seeks the creation of a new Gallup Pool to comprise Sections 3, 4, 8, 9, 10, 14, and 15, Township 23 North, Range 6 West, and the promulgation of special rules therefor including 160-acre spacing for oil and gas, Rio Arriba County, New Mexico.
- (3) That the applicant is the operator of several wells within the proposed new Gallup pool.
- (4) That the evidence presented established that the proposed pool is an oil pool.
- (5) That the proposed Gallup oil pool was discovered by the Southern Union Exploration Company Yarrowbrough Well No. 1 located in Unit J of Section 3, Township 23 North, Range 6 West, originally completed in the Gallup formation January 11, 1958, through perforations from 5540 to 5585.
- (6) That all of the Gallup oil wells within the proposed pool and within most of the Gallup oil pools in the general area are located as if 160-acre spacing units currently prevailed rather than the existing 40-acre spacing.

(7) That economic evidence presented relative to said wells showed that the average well in the general area expected to be completed in the proposed pool may be expected to be marginally profitable on 160-acre spacing.

(8) That there is insufficient engineering or geological evidence currently available upon which to base a finding that a well in the proposed pool will drain 160 acres.

(9) That creation of a new Gallup oil pool with temporary special pool rules providing for 160-acre proration units will permit operators to gather the engineering and geological data upon which to base such a determination while preventing the drilling of potentially unnecessary wells.

(10) That a new pool for Gallup oil production should be created, as requested by the applicant, to be designated as the Counselors-Gallup Oil Pool.

(11) That temporary special pool rules should be adopted for said Counselors-Gallup Oil Pool including provisions for 160-acre spacing and proration units.

(12) That this case should be reopened at an examiner hearing during August, 1985, at which time operators in said pool should appear and show cause why said pool should not be developed on spacing and proration units of less than 160 acres.

IT IS THEREFORE ORDERED:

(1) That a new pool for Gallup oil production is hereby created in Rio Arriba County, New Mexico, to be designated the Counselors-Gallup Oil Pool with vertical limits consisting of the Gallup formation and horizontal limits comprising the following described area:

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM
Sections 3 and 4: All
Sections 8 through 10: All
Sections 14 and 15: All

(2) That the following temporary special pool rules are hereby adopted for said Counselors-Gallup Oil Pool:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
COUNSELORS-GALLUP OIL POOL**

RULE 1. (As Amended by Order No. R-7034-A, May 1, 1984.) Each well completed or recompleted in the Counselors Gallup-Dakota Oil Pool or in the Gallup-Dakota formation within one mile thereof and not nearer to or within the limits of another designated Gallup-Dakota oil pool shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

(COUNSELORS-GALLUP POOL - Cont'd.)

RULE 2. Each well shall be located on a standard unit containing 160 acres more or less substantially in the form of a square which is a quarter section being a legal subdivision of the United States' Public Land Surveys.

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size of shape of the tract is due to a variation in the legal subdivision of the United States' Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre depth bracket allowable in accordance with the statewide rules and in the event there is more than one well on a 160-acre proration unit the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

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 160 acres.

RULE 7. A limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil is established for the pool.

IT IS FURTHER ORDERED:

(1) That the location of all wells presently drilling to or completed in the Counselors-Gallup Oil Pool shall be approved; the operator of any well having an unorthodox location shall notify the Aztec Office of the Division in writing of the name and location of the well on or before October 1, 1982.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978 Comp., existing wells in the Counselors-Gallup Oil Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Counselors-Gallup Oil Pool or in the Gallup formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing during the month of August, 1985, at which time the operators in the Counselors-Gallup Oil Pool may appear and show cause why said pool should not be developed on less than 160-acre spacing with a depth bracket allowable in accordance with the statewide rules.

(4) That the effective date of this order and the pool creation and special rules contained herein shall be August 1, 1982.

(5) That 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.

LARGO-GALLUP GAS POOL
Rio Arriba County, New Mexico

Order No. R-2462, Creating and Adopting Temporary Operating Rules for the Largo-Gallup Gas Pool, Rio Arriba County, New Mexico, April 5, 1963, as Amended by Order No. R-2462-A, September 1, 1963.

Application of Compass Exploration, Inc., for the Creation of a Gallup Gas Pool, Rio Arriba County, New Mexico.

CASE NO. 2761
Order No. R-2462

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. on March 20, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 5th day of April, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

GARREY CARRUTHERS
GOVERNOR

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 9-20-89

RECEIVED

Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

SEP 25 1989
OIL CONSERVATION DIV.
SANTA FE

Re: Proposed MC _____
Proposed DHC _____
Proposed NSL X _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____

Gentlemen:

I have examined the application dated 9-18-89
for the BANION ENERGY INC. FEDERAL 8-1
Operator Lease & Well No.

M-8-23N-6W and my recommendations are as follows:
Unit, S-T-R

[Signature]

Yours truly,

[Signature]