

BILL SELTZER

214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

August 16, 1991

HAND DELIVERED

RECEIVED

AUG 19 1991

OIL CONSERVATION DIVISION

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Application of Collins & Ware, Inc. for Administrative Approval of an Unorthodox Location for its Fort "7" No. 1 Well located 534' from the North Line and 1414' from the West Line of Section 7, T-24-S, R-29-E, Eddy County, New Mexico

Dear Mr. LeMay:

Collins & Ware, Inc. hereby request administrative approval of an unorthodox well location for its Fort "7" No. 1 Well. The proposed location will be in the Atoka formation, Malaga Atoka Pool at a point 534' from the North Line and 1414' from the West Line of Section 7, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico. This unorthodox location is necessary due to all orthodox locations fall in the Harroun Lake and the BLM has verbally advised us of their approval at the requested location. Plats are attached indicating the rejected location and the only approved BLM location for this proration unit.

Texaco Inc., Santa Fe Energy and Eastland Exploration are the Operators of the offsetting spacing unit to the North. Santa Fe Energy and Eastland Exploration operate the properties to the Northwest, West and Southwest. Hallwood Petroleum Co. operates the property to the South. Texaco Inc., Collins & Ware, Inc. and Enron Oil & Gas Co. operate the properties to the Northeast, East and Southeast of the proposed spacing unit.

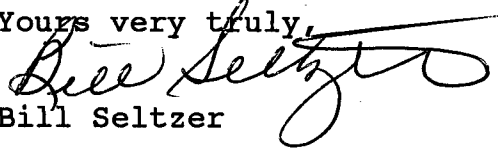
Attached to this application are letters requesting Waivers from all offsetting Operators.

The attached plat also indicates the North-Half of Section 7, T-24-S, R-29-E has been dedicated as acreage for the proration unit and identifying the ownership of the offsetting leases, wells, and operators.

After 20 days from the date of this application and in the absence of the offset operators executing Waivers signifying each party does not object to the unorthodox gas well location, we request the Division Director to grant Collins & Ware, Inc. an exception to this location based upon topographical conditions.

Your consideration of this administrative application is appreciated.

Yours very truly,

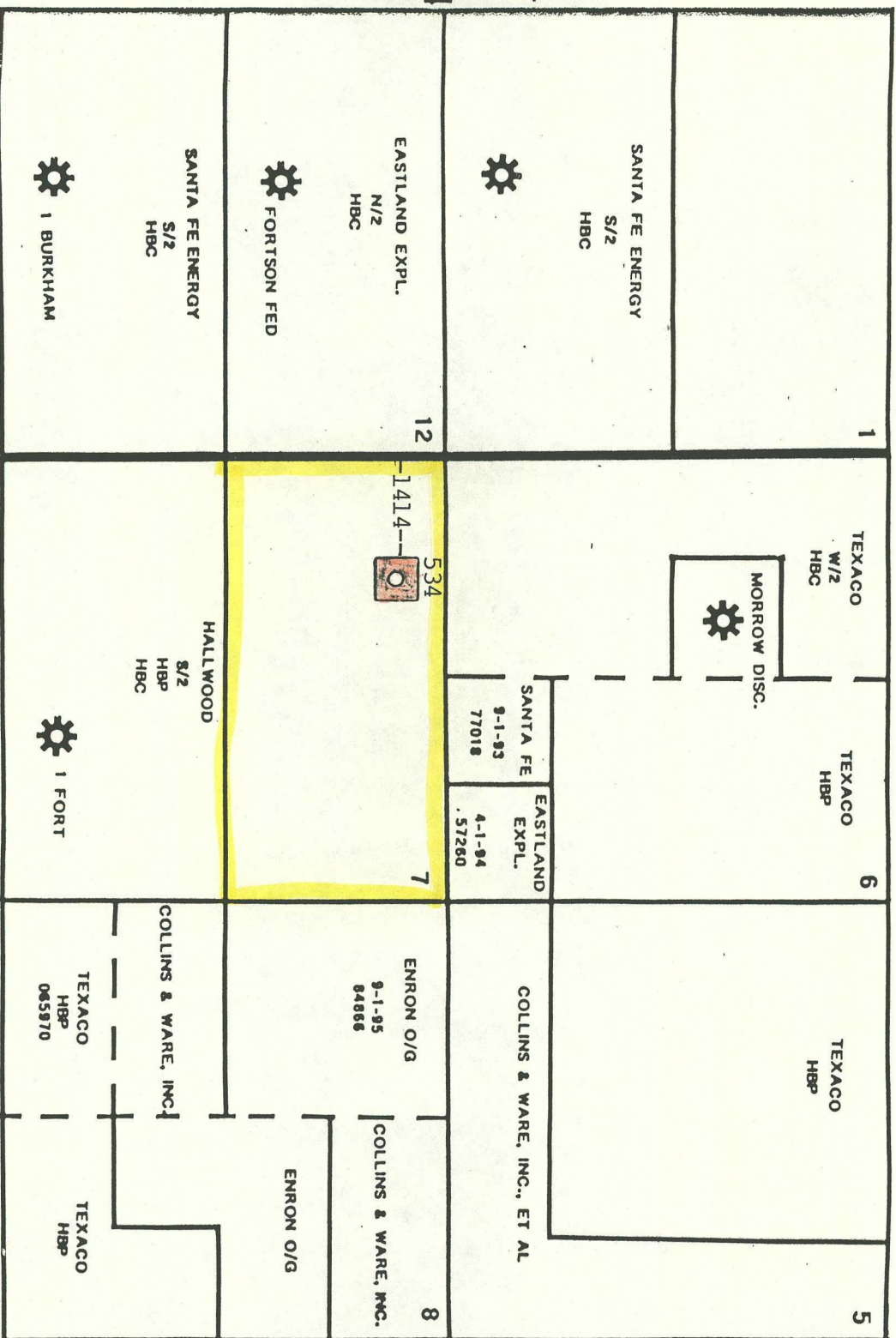

Bill Seltzer

BS/kp

cc: Collins & Ware, Inc.
600 W. Illinois, Suite 701
Midland, Texas 79701

M.B. Williams
Supervisor
Oil Conservation Division
District II
P.O. Drawer DD
Artesia, New Mexico 88210

Mr. William F. Carr
Campbell & Black, PA
P.O. Box 2208
Santa Fe, New Mexico 87504-2208



Township 24 South, Range 29 East
N/2 of Section 7
EDDY COUNTY, NEW MEXICO

BILL SELTZER

214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

August 16, 1991

Re: T-24-S, R-29-E
Section 7: N/2
Eddy County, New Mexico

TO THE ATTACHED LIST
OF OFFSET OPERATORS

Gentlemen:

Reference is made to the letter and Waiver that was forwarded to you on August 6, 1991, pertaining to the above. Please disregard the letter and Waiver.

Attached please find a revised letter along with Waiver to be executed as soon as possible for the unorthodox location so that Collins & Ware, Inc. may commence drilling operations immediately after the approval by the Oil Conservation Division.

Yours very truly,


Bill Seltzer

BS/kp
Atchs.

BILL SELTZER
214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

CERTIFIED # p 046 665 827

August 16, 1991

Re: T-24-S, R-29-E
Section 7: N/2
Eddy County, New Mexico

TO THE ATTACHED LIST
OF OFFSET OPERATORS

Gentlemen:

I am representing Collins & Ware, Inc. of Midland, Texas.

Collins & Ware, Inc. propose to drill an Atoka test to be located 660 FNL and 1980 FWL of Section 7, T-24-S, R-29-E, Eddy County, New Mexico, immediately.

Upon staking the above location the BLM inspector in Carlsbad, New Mexico, disapproved the 660 FNL and 1980 FWL location as it falls in the Harroun Lake (attached plat of lake and approved location).

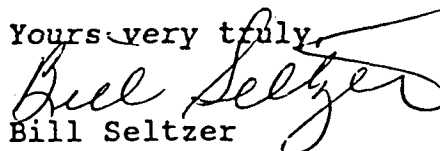
The BLM advised they would approve a location of 534 FNL and 1414 FWL of Section 7. This location is an unorthodox location and we must have approval of the Oil Conservation Division, Santa Fe, New Mexico.

We are requesting the OCD, State of New Mexico, for an administrative approval of an unorthodox gas well to be located 534 FNL and 1414 FWL of Section 7, T-24-S, R-29-E.

We request each of you to execute the attached Waiver and return same in the enclosed envelop.

Your immediate attention will be appreciated.

Yours very truly,


Bill Seltzer

BS/kp
Atchs.

LIST OF OFFSET OPERATORS

✓ Santa Fe Energy Co.
550 W. Texas, Suite 1330
Midland, Texas 79701
Attn: Mr. Larry Murphy

Texaco Inc.
P.O. Box 2100
Denver, CO 80201
Attn: Mr. David Sleeper

Eastland Exploration, Inc.
110 N. Marienfeld, Suite 560
Midland, Texas 79701

Hallwood Petroleum, Inc.
Stanford Place #3
4582 S. Ulster Street
Parkway #1700
Denver, CO 80237
Attn: Ms. Robin Benko

Enron Oil & Gas Co.
P.O. Box 2267
Midland, Texas 79702
Attn: Mr. Frank Estep

WAIVER

The undersigned party has no objection to Collins & Ware, Inc.'s application to drill a 12,300' Atoka Test at an unorthodox location in Eddy County, New Mexico, to-wit:

534' FNL and 1414' FWL of Section 7,
T-24-S, R-29-E, Eddy County, New Mexico

SANTA FE ENERGY CO.

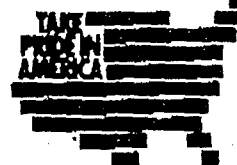
Printed Name: _____
Title: _____



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell District Office
P.O. Box 1287
Roswell, New Mexico 88202-1287



IN REPLY
REFER TO:

RNM-89-00455
3100.2

BUREAU OF LAND MANAGEMENT	
FILE	INDEX
COL	JRM
MPZ	RAA

CERTIFIED MAIL - RETURN RECEIPT REQUESTED
P 310 151 989

JUL 26 90
JUL 19 1990

Getty Oil Company
Box 3109
Midland, TX 79702

JAT	JRF	WAT
SLK	GAW	DLS
LMS	FILE	

Gentlemen:

XC: PB HIGH SMITH
7/27/90 T. McCaule
NANCIE CRAWFORD 8/2/90

According to our records, you are a lessee and/or operating rights owner of Federal Oil and Gas Lease No. LC-065970-C. The portion of this lease located in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of section 7, T. 24 S., R. 29 E., NMPM, Eddy County, New Mexico, is subject to possible drainage by the HNG Oil Company No. 1 Fort 7 Com well, located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of section 7, T. 24 S., R. 29 E., NMPM, Eddy County, New Mexico. This well was reported as completed on December 3, 1986, in the Atoka Formation, with an initial potential of 1100 MCF gas per day.

Both the terms of the lease and the oil and gas operating regulations require you to protect the lease lands from drainage. Unless you can demonstrate that no drainage is occurring, you will be expected to protect the lease lands by utilizing the following options:

1. Drill a protective well on the drained tract and pay compensatory royalty for the period prior to drilling and producing the protective well.
2. Pay compensatory royalty.
3. Relinquish the affected portions of the lease after payment of any compensatory royalty due.

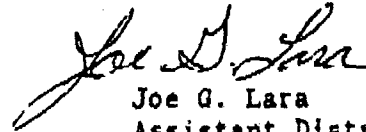
By September 15, 1990, you must advise us of your plans for protecting the lease from drainage. If you contend that no drainage is taking place, you must submit detailed engineering and geologic data to support that contention. If you contend that a protective well would have little or no chance of encountering oil or gas in quantities sufficient to pay the cost of drilling and operating the well with a reasonable profit, detailed data must be submitted to support that contention also. If you fail to submit a plan for protection or provide convincing evidence that no drainage has occurred, compensatory royalty will be assessed beginning June 24, 1987, (six months after the potentially draining well's capacity to produce became public information) and ending the date that protection is provided utilizing one of the above options, or the date that the draining well ceases to produce.

Jim Pettengill

2

If you have any questions, please contact Wayne Melton, Chief of our Branch of Classification and Drainage at (505) 622-9042. Please refer to drainage case number RNM-89-00455.

Sincerely,



Joe G. Lara
Assistant District Manager,
Minerals



Texaco USA
Western E&P Region

September 12, 1990

VIA OVERNIGHT DELIVERY

Mr. Joe G. Lara
Assistant District Manager, Minerals
United States Department of the Interior
Bureau of Land Management
Roswell District Office
1717 West 2nd Street
Roswell, New Mexico 88201

Re: RNM-89-00455
3100.2

Dear Mr. Lara:

Texaco Producing Inc., as successor to Getty Oil Company, is in receipt of the referenced letter.

Although Texaco is the lessee of record for Federal Oil and Gas Lease No. LC-065970-C, Texaco is not the owner of the operating rights for the formations which you allege may be drained by the HNG Oil Company No. 1, Fort 7 Com Well. Those rights are held by Scope Industries. Texaco has forwarded a copy of your letter to Scope for further review.

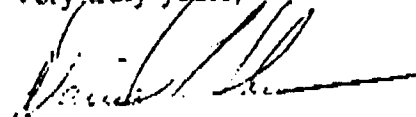
Additionally, Texaco has contacted Scope and other owners of operating rights in the north half of Section 7 to discuss additional development. Participation of these other owners would be necessary because New Mexico's conservation rules require wells in this field to be drilled on 320-acre spacing. Texaco anticipates that this will be a lengthy process due to the large number of owners involved; however, it is hoped that the matter will be resolved within six (6) months.

In the meantime, it is Texaco's position that it is not liable for compensatory royalties extending back to June 24, 1987. As you may know, your letter is the first notice that Texaco has received of the alleged drainage. Additionally, although it is unwilling to release the acreage at this time, Texaco will continue to investigate the allegations contained in your letter and to explore further options for development of the lease.

Mr. Joe G. Lara
September 12, 1990
Page 2

We will be pleased to keep you apprised of further developments. In the meantime, if you have additional questions, please call me at (303) 793-4512.

Very truly yours,



David L. Sleeper

NJC:jl



Texaco USA

PO Box 2100
Denver CO 80201
1601 17th Boulevard
Denver CO 80237

February 20, 1991

RNM - 89-00455
Federal Lease No. LC-065970-C
Eddy County, New Mexico
Section 7: S/2NE/4, T-24-S, R-29-E
(Associated File 316710)

WESTERN E&P REGION LAND		
FEB 20 1991		
RRON	KFW	RAA
JKH	JRG	DAG
JPH	TOM	FEI
	RBP	WNA
TMB	TLV-22	SAV
SAF		
EX	LEB	DJK
JLL	EMB	
RRP	DCM	REL
TRI	SEH	
File		JWS

Mr. Wayne Melton
Chief of Branch of Classification and Drainage
Bureau of Land Management
Roswell District Office
1717 West 2nd Street
Roswell, New Mexico 88201

Gentlemen:

Reference is made to your letter of July 19, 1990, and ours of September 12, 1990, regarding additional development of the above lease in the Atoka formation.

Several months ago we began preliminary title work in order to determine the leasehold (operating rights) ownership in the N/2 of Section 7, which would be the proration unit for a Pennsylvanian gas well. We have since had discussions with several of the leasehold owners and it appeared that a well could possibly be started by May or June of this year. We were recently informed, however, that Fina's lease (Federal) on the N/2NE/4 has apparently expired. It is our understanding that this acreage has been nominated for the July, 1991 competitive lease sale.

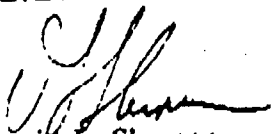
The working interest owner's plans to drill an Atoka test in the N/2 of Section 7 are now on hold. We hope this letter sufficiently brings you up to date on this situation from Texaco's perspective. We wish to remind you again that although Texaco is one of the record title lessees of LC-065970-C, it is not an owner in the operating rights in the Atoka as to the S/2NE/4 of Section 7. In addition, Texaco is but one of several leasehold owners across the N/2 of Section 7.

Mr. Wayne Melton
February 20, 1991
Page Two

If we can be of further assistance please call me at (303)793-4527.

Very truly yours,

TEXACO EXPLORATION AND PRODUCTION INC.



David L. Sleeper
West Region Landman

DLS/cjw

P 046 665 779

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Frank Estep	
Street and No. Enron	
Box 2267	
P.O. State and ZIP Code Midland, TX 79702	
Postage	\$.52
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.52
Postmark or Date 8/16/91	

PS Form 3800, June 1985

P 046 665 827

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Garry Murphy	
Street and No. Santa Fe Energy Co.	
Box 1330	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$.52
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.52
Postmark or Date 8/16/91	

PS Form 3800, June 1985

P 046 665 825

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Robin Benko	
Street and No. Hallwood Pet. Inc.	
Box 3	
P.O. State and ZIP Code 4582 S. Ulster St. Denver, CO 80237	
Postage	\$.52
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.52
Postmark or Date 8/16/91	

PS Form 3800, June 1985

Fold at line over top of envelope to the right
of the return address.

CERTIFIED

P 046 665 779

MAIL

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of the return address.

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P 046 665 827

MAIL

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CERTIFIED

P 046 665 825

MAIL

P 046 665 824

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Eastland Exp. Inc.	
Street and No. 110 N. Marienfeld	
Box 560	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$.52
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.52
Postmark or Date 8/16/91	

PS Form 3800, June 1985

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P 046 665 824

MAIL

P 046 665 826

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to David Sleeper	
Street and No. Texaco Inc.	
Box 2100	
P.O. State and ZIP Code Denver, CO 80201	
Postage	\$.52
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.52
Postmark or Date 8/16/91	

PS Form 3800, June 1985

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of the return address.

CERTIFIED

P 046 665 826

MAIL