LAW OFFICES

### TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON
FARMINGTON, NEW MEXICO 87401
TELEPHONE: (505) 325-1801

OF COUNSEL Charles M. Tansey

Douglas A. Echols Richard L. Gerding Connie R. Martin Michael T. O'Loughlin James B. Payne Tommy Roberts Haskell D. Rosebrough Robin D. Strother Austin E. Roberts 1921—1983

Mailing Address: P. O. Box 1020 Farmington, N.M. 87499

April 3, 1989

Case 9661

State of New Mexico Energy and Minerals Department New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87504-2088

Attn: William J. Lemay, Division Director

Re: Application of Hixon Development Company for Unorthodox Oil Well Location

Hixon Development Company Missy #3 Well

Rio Arriba County, New Mexico

APR - 1989

### Gentlemen:

Hixon Development Company hereby applies for an Order of the New Mexico Oil Conservation Division approving an unorthodox oil well location 330 FSL and 2310 FWL (Unit N) of Section 35, Township 25 North, Range 3 West, N.M.P.M., West Lindrith Gallup-Dakota Oil Pool, the SW/4 of said Section 35 to be dedicated to the Hixon Development Company Missy #3 Well forming a standard 160-acre oil spacing and proration unit for said pool.

By telephone communication of this date, this application was verbally transmitted to Florene Davidson in your office. I advised Ms. Davidson that it is the desire of Hixon Development Company that this application be placed on the April 26, 1989 Examiner Hearing Docket of the New Mexico Oil Conservation Division.

Please advise should you require any additional information.

Sincerely,

TOMMY ROBERTS, Attorney

Smay Roberts

for Hixon Development Company

State of New Mexico Energy and Minerals Department New Mexico Oil Conservation Division April 3, 1989 Page Two

### TR:nk

xc: Hixon Development Company
P. O. Box 2810
Farmington, New Mexico 87499

Supervisor - District III Office New Mexico Oil Conservation Division 1000 Ric Brazos Road Aztec, New Mexico 87410

# Application of Hixon Development Company for Unorthodox Location

Rio Arriba County, New Mexico

New Mexico Oil Conservation Division
Case #9661

Prepared by Hixon Development Company

April 26, 1989

### Application of Hixon Development Company for Unorthodox Location Rio Arriba County, New Mexico

### New Mexico Oil Conservation Division Case #9661

### Table of Contents

| Chronology of Events  |
|---|
| Application for Unorthodox Location 2   |
| Notification of Offset Operator   |
| Plat Showing Vicinity of Sec. 35, T25N, R3W 4   |
| Plat Showing Locations of Wells in Sec. 35 5  |
| Plat Showing Standard Locations in Sec. 35 6  |
| Approved Application for Permit to Drill Missy Well No. 3                                 |
| Sundry Notice of Spudding and Cementing Surface Casing 9                                  |
| Surface Use Agreement   |
| Mobil Letter Notifying Hixon Development of Nonstandard Location                          |
| Isopach Map of Dakota "D" Sand  |
| Cross-section of Dakota "D" Sand in Sec. 35 13 & 14                                       |
| Cost Estimate from Missy No. 3 AFE  |
| Economics of Missy No. 3 Using<br>Half of Top Allowable (382/2) 16 & 17                   |
| Economics of Missy No. 3 Using Half of Top Allowable Reduced for Setback (382/2)(790/330) |

Hixon Development Company Missy Well No. 3 330' FSL, 2310' FWL Section 35, T25N, R3W Rio Arriba Co., NM

March 14, 1989 John Corbett of Hixon Development called NMOCD office in Aztec, NM regarding numbering, allowable, and legal West Lindrith infill wells the location of in Gallup/Dakota pool. Proposed well to be named the Missy No. 3, location of 330' FSL, 2310' FWL, Sec. 35, T25N, R3W was allowed provided we were 660' from the Mobil Lindrith B No. 75 and the Missy No. 2, top allowable of 382 BOD and 2,000 GOR was not to be exceeded by combined production of the Missy No. 2 and No. 3.

March 15, 1989
Charles Harraden of Hixon Development Company and Ed Risenhoover (Professional Surveyor) staked location.

March 17, 1989
Received approved APD from NMOCD in Aztec.

Received verbal approval from landowner to build location.

March 20 - 27, 1989 Built location.

March 28, 1989
Mobil picked up a copy of the APD at NMOCD in Aztec.

March 30, 1989
Arapahoe Drilling Company rig #7 spudded well at 1:00 pm.

Frank Chaves of NMOCD called at 4:20 pm to notify Hixon Development that the location may be nonstandard.

March 31, 1989

Verified that location was nonstandard.

April 3, 1989
Placed case on NMOCD docket for April 26 seeking approval of nonstandard location.

Notified offset operator (Mobil) of pending hearing.

April 20, 1989
Mobil proposed allowable for Missy 3 of 79.8 BOD based on (382 BOD /2 wells)(330'/790').

#### LAW OFFICES

### TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON
FARMINGTON, NEW MEXICO 87401
TELEPHONE: (505) 325-1801

OF COUNSEL Charles M. Tansey

Douglas A. Echols Richard L. Gerding Connie R. Martin Michael T. O'Loughlin James B. Payne Tommy Roberts Haskell D. Rosebrough Robin D. Strother Austin E. Roberts 1921 -- 1983

Mailing Address: P. O. Box 1020 Farmington, N.M. 87499

April 3, 1989

State of New Mexico
Energy and Minerals Department
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attn: William J. Lemay, Division Director

Re: Application of Hixon Development Company for Unorthodox Oil Well Location Hixon Development Company Missy #3 Well Rio Arriba County, New Mexico

Gentlemen:

Hixon Development Company hereby applies for an Order of the New Mexico Oil Conservation Division approving an unorthodox oil well location 330 FSL and 2310 FWL (Unit N) of Section 35, Township 25 North, Range 3 West, N.M.P.M., West Lindrith Gallup-Dakota Oil Pool, the SW/4 of said Section 35 to be dedicated to the Hixon Development Company Missy #3 Well forming a standard 160-acre oil spacing and proration unit for said pool.

By telephone communication of this date, this application was verbally transmitted to Florene Davidson in your office. I advised Ms. Davidson that it is the desire of Hixon Development Company that this application be placed on the April 26, 1989 Examiner Hearing Docket of the New Mexico Oil Conservation Division.

Please advise should you require any additional information.

Sincerely,

TOMMY ROBERTS, Attorney

for Hixon Development Company

April 3, 1989

Mobil Oil Corporation 1225 17th Street Post Office Box 5444 Denver, Colorado 80217

Subject: Application of Hixon Development Company for Unorthodox Oil Well Location Hixon Development Company Missy #3 Well Rio Arriba County, New Mexico

#### Gentlemen:

The purpose of this letter is to provide notice to you, in accordance with the rules and regulations of the New Mexico Oil Conservation Division, that Hixon Development Company has filed an application with the New Mexico Oil Conservation Division seeking and Order approving an unorthodox oil well location 330' FSL and 2310' FWL (Unit N) of Section 35, Township 25 North, Range 3 West, N.M.P.M., West Lindrith Gallup-Dakota Oil Pool, the SW/4 of said Section 35 to be dedicated to the Hixon Development Company Missy #3 Well forming a standard 160-acre oil spacing and proration unit for said pool.

This application has been placed on the April 26, 1989 Docket of the New Mexico Oil Conservation Division. In accordance with rules and regulations of the New Mexico Oil Conservation Division, you are entitled to be present at the hearing to present testimony and to submit evidence in support of your position regarding the merits of the application.

If you have any questions please call me at 326-3325 or write to me at the letterhead address.

Very truly yours,

John C. Corbett

Vice President - Exploration

JCC/plc

CERTIFIED - RETURN RECEIPT REQUESTED P 950 806 348

xc: New Mexico Oil Conservation Division
Attn: William J. Lemay, Division Director
Post Office Box 2088

Santa Fe, New Mexico 87501-2088

| 999 DOWERLIC RELORN RECEILL                | PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-   |
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| 15   | 6. Signature - Agent   |
| 131  | X  |
| requested and fee paid)                    | 1 1 9 2 2  |
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| or agent and DATE DELIVERED.               | 199 199  |
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| XX Certified COD                           | Denver, Colorado 80217   |
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| services are available. Consult postmaster | to and the date of delivery. For additional fees the following   |
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| sidt travera lliw sidt ob ot etilise as    | 3 and 4. Put your address in the "RETURN TO" Space on the revers   |
| ervices are desired, and complete items    | SENDER: Complete items 1 and 2 when additional a   |
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RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse) P 950 806 348

.25 .85 Denver, Colorado 80217 MSBil Oil Corporation Freet and No. Box 5444 Restricted Delivery Fee Special Delivery Fee Certified Fee Postage

TOTAL Postage and Fees

PS Form 3800, June 1985

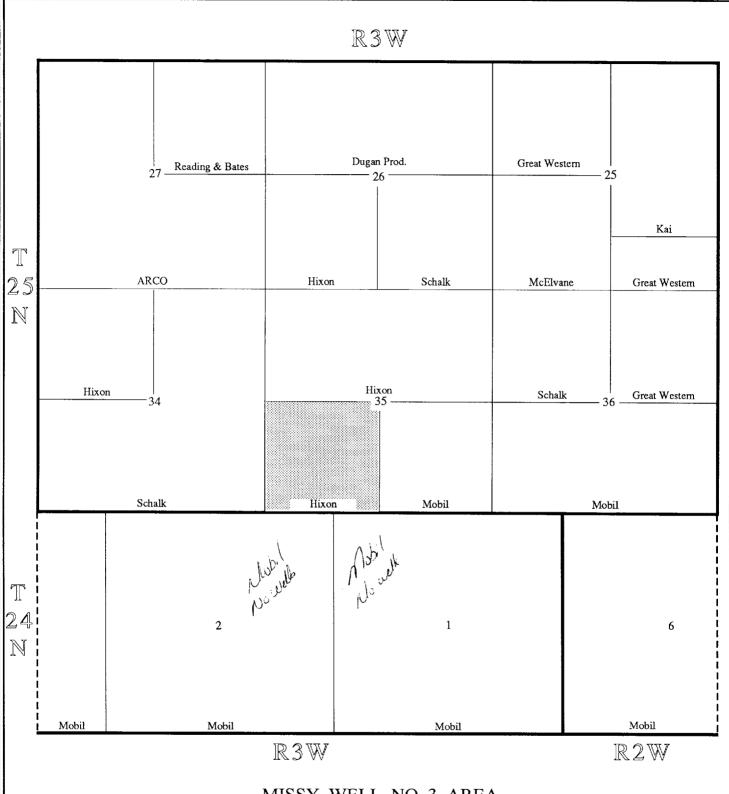
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Return Receipt showing to whom. Date, and Address of Delivery

Return Receipt showing to whom and Date Delivered

2.00

4-3-89

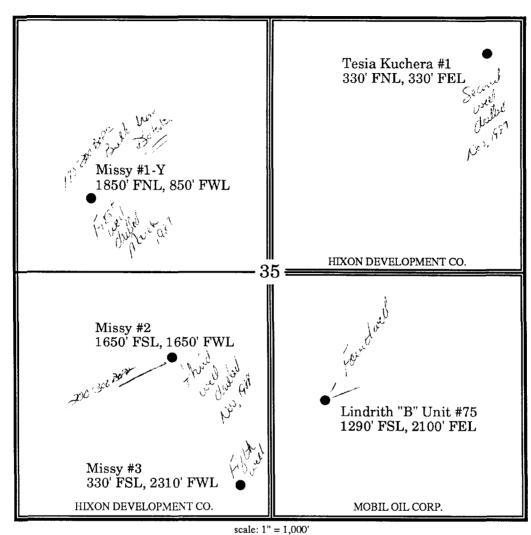


### MISSY WELL NO. 3 AREA

West Lindrith Gallup /Dakota Pool Rio Arriba Co., New Mexico

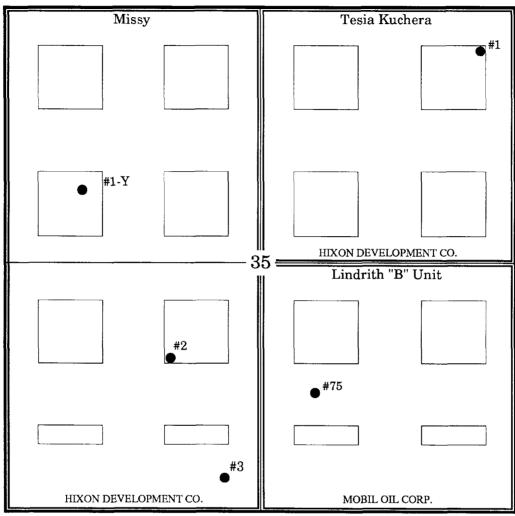
scale: 1" = 2,275'

R3W



## West Lindrith Gallup / Dakota Pool

Rio Arriba Co., New Mexico



scale: 1" = 1,000'

### West Lindrith Gallup / Dakota Pool

Rio Arriba Co., New Mexico

Plat showing location and operator of existing Gallup and Dakota wells, and legal drilling windows.

#### Submit to Appropriate District Office State Lease - 6 copies Fee Lease - 5 copies

### State of New Mexico Energy, Minerals and Natural Resources Department

Form C-101 Revised 1-1-89

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

| OIL ( | CONSERV | ATION | DIVISION |
|-------|---------|-------|----------|
|-------|---------|-------|----------|

P.O. Box 2088 Santa Fe, New Mexico 87504-2088

| API NO. (assigned by OCD on New Wells) |  |
|--|--|
| 30-039-24393                           |  |
| C. T. P. A. T. C.                      |  |

5. Indicate Type of Lease

| P.O. Drawer DD, Artesia,                  | NM 88210             |  |                  |      | 5                        | TATE 📙 📑 FI          | E XX  |
|---|----------------------|--|------------------|------|--------------------------|----------------------|-------|
| DISTRICT III<br>1000 Rio Brazos Rd., Azte | ec, NM 87410         |  |                  |      | 6. State Oil & Gas Lease | No.                  |       |
| APPLICA"                                  | TION FOR PERMIT T    | O DRILL, DEEPEN, O                     | OR PLUG BACK     | K    |                          |                      |       |
| 1a. Type of Work:                         |                      | ************************************** |                  |      | 7. Lease Name or Unit A  | greement Name        |       |
| DRIL b. Type of Well:                     | L XX RE-ENTER        | DEEPEN                                 | PLUG BACK        |      |                          |                      |       |
| MET X MET C                               | OTHER                | SINOLE<br>ZONE                         | MULTIPLE<br>ZONE | E    | Missy                    |                      |       |
| 2. Name of Operator<br>Hixon Develo       | pment Company        |  |                  |      | 8. Well No.              |                      |       |
| 3. Address of Operator                    |                      |  | <del> </del>     |      | 9. Pool name or Wildcat  |                      |       |
| P.O. Box 281                              | O, Farmington, N     | Wew Mexico 87499                       | )                |      | West Lindrit             | h Gallup/Da          | kota  |
| 4. Well Location Unit Letter              | N : 330 Feet Fr      | om The South                           | Line and         | 2310 | Feet From The            | West                 | Line  |
| Section 3                                 | 5 Townst             | up 25N Rar                             | ige 3W           | N    | мрм Rio Arriba           | Cc                   | ounty |
|   |                      |  |                  |      |                          |                      |       |
|   |                      | 10. Proposed Depth                     |                  | 1    | ormation                 | 12. Rotary or C.T.   |       |
|   |                      | 8030'                                  |                  |      | allup/Dakota             | Rotary               |       |
| 13. Elevations (Show whether              | er DF, RT, GR, etc.) | 4. Kind & Status Plug, Bond            | 15. Drilling Cor |      |                          | Date Work will start |       |
| 7038' GLE                                 |                      |  | Unkno            | own  | March                    | 26, 1989             |       |
| 17.                                       | PR                   | OPOSED CASING AN                       | ID CEMENT PI     | ROGR | AM                       |                      |       |
| SIZE OF HOLE                              | SIZE OF CASING       | WEIGHT PER FOOT                        | SETTING DEF      | PTH  | SACKS OF CEMENT          | EST. TO              | )     |
| 12-1/4"                                   | 9-5/8"               | 36.0#                                  | 250'             |      | 160 sks.                 | Surface              |       |
| 8-3/4"                                    | 5-1/2"               | 17.0#                                  | 8030'            |      | 1035 sks.                | Surface              |       |
|   |                      |  | <del></del>      |      |                          | <u> </u>             |       |

160 acres jour 4/42

It is proposed to drill the subject West Lindrith Gallup/Dakota oil well. It will be evaluated on the basis of open hole logs. Storage facilities will be located on the site. A BOP will be used during drilling operations.

> UNLESS DRILLING IS COMMENCED. SPUD NOTICE MUST BE SUBMITTED WITHIN ....

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSED IN ABOVE SPACE DESCRIBE PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

| I hereby certify that the information above is true and complete to the best of my knowledge | : and belief. |                       |          |              |     |             |
|--|---------------|-----------------------|----------|--------------|-----|-------------|
| SIONATURE John C. Corbett  John C. Corbett   | mue Vice      | President-Exploration | - DATE - | March        | 16, | 1989        |
| TYPE OR PRINT NAME   |               |                       | TELEP    | IONE NO.     |     | <del></del> |
| (This space for State Use)   |               | a 1 m 1 m             | <b>.</b> | illi i       | i   | 1983        |
| LINDOVED BY  | 7717 6        |                       | DATE     | 641 22 2 · · |     |             |

CONDITIONS OF APPROVAL, IF ANY:

Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

### State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

### OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II P.O. Drawer DD, Artesia, NM 88210

DISTRICT 1 P.O. Box 1980, Hobbs, NM 88240

DISTRICT III 1000 Rio Brazof Rd., Aziec, NM 87410

### WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

| Operator         | <del></del>             |                  |                        |   | Lease                                 |              | <u></u>           |                     | Well No.                               |
|------------------|-------------------------|------------------|------------------------|---|---------------------------------------|--------------|-------------------|---------------------|--|
| Hixon [          | Develor                 | oment Co         | mpany                  |   |                                       | Missy        |                   |                     | , 3                                    |
| Jnit Letter      | Section                 |                  | Township               |   | Range                                 |              |                   | County              |  |
| . N              |                         | 35               |                        | 25N   |                                       | 3W           | NN.               | 1PM                 | Rio Arriba                             |
| ciual Footage L  | ocation of              | Well:            |                        |   | 1                                     | <del></del>  | NA                | nem i               |  |
| 330              |                         |                  | South                  | line and  | 2310                                  |              | Court of          |                     | St line                                |
| round level Elev |                         | rom the<br>Produ | cing Formation         | line and  | Pool                                  | <del></del>  | 1861              | rom the             | line Dedicated Acreage:                |
|                  |                         |                  |                        |   | 1                                     | 1111.        | . C-11/           | D = 1 4             |  |
| 7038             | <del>, -, , ,</del> , l |                  | ip/Dakota              | <del></del>   |                                       |              | Gallup/           | ракоса              | 160 Acres                              |
|                  |                         |                  | -                      | well by colored per<br>ill, outline each and                |                                       |              |                   | orking interest and | テトペ/ 样 と<br>I royaliy).                |
| uniti<br>        | zation, for<br>Yes      | rce-pooling,     | elc.?                  | is dedicated to the<br>answer is "yes" typicions which have | c of consolidat                       | ion          |                   | <del></del>         | nmunitization,                         |
|                  | mif neco                |                  | en and tract descr     | ipuomi winch mive   | actually been t                       | 20010HOALEG. | (Use reverse sid  | ic U                |  |
|                  |                         |                  | d to the well until    | all interests have b  | en consolidato                        | d (hy commu  | nitization unitiz | ation forced-pooli  | no or otherwise)                       |
|                  |                         |                  |                        | terest, has been ap   |                                       |              | muracon, unun     | _uos, 101000 poot   | and a community                        |
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|                  |                         | 1                |                        | ]   |                                       | 1            |                   |                     | wledge and belief.                     |
|                  |                         | 1                |                        |   |                                       | 1            | į                 |                     |  |
|                  |                         | į                |                        |   |                                       | !            |                   | Signature           |  |
|                  |                         |                  | •                      | 1   |                                       | 1            | 1                 | 111                 |  |
|                  |                         | 1                |                        |   |                                       | i            |                   | La de               | - C. Contrell                          |
|                  |                         | i                |                        |   |                                       | i            |                   | Printed Name        | _                                      |
|                  |                         |                  |                        |   |                                       | <del></del>  |                   | John C.             | Corbett                                |
|                  |                         | 1                |                        |   |                                       |              |                   | Position            |  |
|                  |                         | 1                |                        |   |                                       | 1            |                   | Vice Pro            | esident - Explorat                     |
|                  |                         | i                |                        |   |                                       | 1            |                   | Company             | esident Explorat                       |
|                  |                         | 1                |                        |   |                                       | 1            | 1                 | 1                   | _                                      |
|                  |                         | !                |                        |   |                                       | !            |                   | Hixon De            | evelopment Co.                         |
|                  |                         | 1                |                        |   |                                       |              | -                 | Date                |  |
|                  |                         | 1                |                        |   |                                       | 1            |                   | March 16            | 5. 1989                                |
|                  |                         | ì                |                        |   |                                       | i            |                   |                     |  |
|                  |                         | !                | SECTIO                 | N 35  |                                       |              | n na 179 E        | SURVE               | YOR CERTIFICATION 🛴                    |
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|                  |                         | 1                |                        | 7   |                                       | 6 6          | ស្រីព្រះ          | hereby certi        | ify that the well location shown       |
|                  |                         | i                |                        | 3   | 18                                    | i            |                   |                     | was plotted from field notes of        |
|                  |                         | i i              |                        | 3   | £ \$ 3                                | 1            | 109 <b>0</b> I    |                     | is made by me or under my              |
|                  |                         | 1                | o # Z                  | 3   | 1                                     | MARI?        | 1203              |                     | nd that the same is true and           |
|                  |                         | 1                | <i>P</i>               | #   |                                       |              |                   | correct to th       | ie best of my knowledge and            |
|                  |                         | i                |                        | 7   | (为)                                   |              | J. DIY            | belief.             |  |
|                  |                         | 1                |                        | 3   | æ.),                                  | Term!        | 2                 |                     |  |
|                  |                         | !                |                        | 3   |                                       | L Carrier    | •.'               | Date Surveyed       |  |
|                  |                         | -¦               |                        | 4   |                                       | <del> </del> |                   | Ma                  | rch 15, 1989                           |
|                  |                         | 1                |                        | #   |                                       | į            |                   | Signature & S       | eal of ustrere                         |
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|                  | 2310                    | 1                |                        | 3   |                                       | 1            |                   | פ ובל ניין          | 189791                                 |
|                  |                         | 1                | 7                      | 3   |                                       | J            | }                 | Certificate         | - A Cymerate                           |
| 111111111        |                         |                  | ' 330<br><b>WUUUUU</b> |   |                                       | <u> </u>     |                   | Carried St.         | 78 sanhoover 2.9.                      |
| шшш              |                         |                  |                        |   |                                       |              |                   | Edgar               | Risanhoover, 29.9.                     |
|                  | -                       |                  |                        | _   | 7                                     |              | 1                 | 2.                  | S ONAL 03A34"                          |
| 330 660          | 990                     | 1320 1650        | 1980 2310              | 2640 200  | 0 1500                                | 1000         | 500 0             | 1                   | SY AND LOS " OF.                       |

### Submit 3 Copies to Appropriate District Office

#### State of New Mexico Minerals and Natural Resources Department Enε

| Form C-103     |   |
|----------------|---|
| Revised 1-1-89 | h |

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION

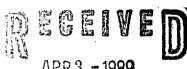
P.O. Box 2088

Santa Fe. New Mexico 87504-2088

| WELL API NO.             | <u></u> |
|--------------------------|---------|
| 30-039-24373             |         |
| 5 Indicate Type of Lease |         |

| Diameter II   | 504 2000   |
|---|--|
| DISTRICT II P.O. Drawer DD, Artesia, NM 88210  Santa Fe, New Mexico 873                                       | 5. Indicate Type of Lease  |
| DISTRICT III  | STATE FEE X  |
| 1000 Rio Brazos Rd., Aztec, NM 87410  | 6. State Oil & Gas Lease No.   |
| SUNDRY NOTICES AND REPORTS ON WELLS   |  |
| ( DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR DIFFERENT RESERVOIR. USE APPLICATION FOR PERMIT |  |
| (FORM C-101) FOR SUCH PROPOSALS.)   |  |
| 1. Type of Well:  OIL  WELL X  WELL  OTHER  |  |
|   | Missy  |
| 2. Name of Operator   | 8. Well No.  |
| Hixon Development Company   | 3  |
| 3. Address of Operator  | 9. Pool name or Wildcat  |
| P.O. Box 2810, Farmington, N.M. 87499   | West Lindrith Gallup/Dakota  |
|   |  |
| Unit Letter N : 330 Feet From The South   | Line and 2310 Feet From The West Line                                |
| Section 35 Township 25N Range   | 3W NMPM Rio Arriba County  |
| 10. Elevation (Show whether DF, F<br>7038 GLE   | RKB, RT, GR, etc.)   |
| 11. Check Appropriate Box to Indicate Nati  | re of Notice, Report, or Other Data                                  |
| NOTICE OF INTENTION TO:   | SUBSEQUENT REPORT OF:  |
| PERFORM REMEDIAL WORK PLUG AND ABANDON RE   | MEDIAL WORK ALTERING CASING  |
| TEMPORARILY ABANDON CHANGE PLANS CC   | MMENCE DRILLING OPNS. DPLUG AND ABANDONMENT                          |
| PULL OR ALTER CASING CA   | SING TEST AND CEMENT JOB   |
| OTHER: OT   | HER: Drilling Progress X   |
| 12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give                  | a martiness data including adjusted data of standard managed         |
| work) SEE RULE 1103.  | e perionent dutes, including estimated date of starting any proposed |
| · ·   |  |
|   |  |

Spudded surface at 1:00 p.m. on Wednesday, March 29, 1989. Drilled 12-1/4" hole to 262'. Ran 6 jts. (242.90') of 9-5/8", 36#, LT&C casing. Set casing at 257.90' KB. Cemented casing as follows: Mixed and pumped 160 sks. (189 cu. ft.) of Class "B" cement containing 2% CaCl and 1/4#/sk. Cellophane flakes. Cement circulated to surface.



|  |                         | APR3 - 19 <b>89</b> |
|--|-------------------------|---------------------|
|  |                         | OIL CON. DIV.       |
| I hereby certify that the information above is true and complete to the best of my kno | wledge and belief.      | DIST. 3             |
| SIGNATURE Bruce & Selventhal   | TIME Petroleum Engineer | March 31, 1989      |
| Bruce E. Delventhal Work   |                         | TELEPHONE NO.       |
| (This space for State Use)   | Sübervison district 🔭 🦠 | APR A 2 tagin       |
| APPROVED BY  | TITLE                   | DATE TABLE          |
|  | (Feb.)                  | APR 0 3 1999        |

Missy#3 D

# Surface Damages Release and Grant of Right-of-Way

Know All Men By These Presents:

That for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, this day paid to the undersigned by Hixon Development Company, the receipt and sufficiency of which are hereby acknowledged for all purposes, the undersigned, as the owners of one hundred percent (100%) of the surface of the hereinafter described lands, and their heirs, successors, and assigns, do hereby release Hixon Development Company, their successors, agents, assigns, and employees from any and all claims for damages to the surface of the hereinafter described lands resulting from the drilling, completion, operation, maintenance and/or abandonment of an oil or gas well to be commenced on said lands at a location described in the Exhibit "A" attached hereto and made a part hereof by this specific reference for all purposes.

The consideration paid hereunder shall also compensate the undersigned for damages sustained, or which may be sustained, as a result of the construction, use and maintenance of an access road on said lands necessary for access to the well identified above and a pipeline on said lands necessary to the transportation of production from said well.

In conjunction with the execution of this release, the undersigned do hereby grant unto Hixon Development Company, their successors, agents, assigns, and employees, a right-of-way over, on and across the surface of the hereinafter described lands for the construction and subsequent use of the well site location, an access road thereto, and any pipeline necessary for the transportation of production therefrom.

In Witness whereof, this release is voluntarily entered into and executed this <u>21st</u> day of March, 1989.

Charles E. Myers

Phylli: E. Myers

State of New Mexico )

)SS.

County of Valencia )

Before me, the undersigned authority, on this <u>21st</u> day of March, 1989 personally appeared Charles E. Myers and Phyllis E. Myers, husband and wife, who are known to me to be the persons who executed the foregoing instrument and who acknowledged to me that they executed the same as their free act and deed for all of the purposes therein stated.

Subscribed and sworn to me this 21 day of March, 1989.

My commission expires

Notary Public

By: The lma D. Coffoy



Attached to and made a part of that certain Surface Damages Release and Right-of-Way dated March <u>21st</u>, 1989 by and between Charles E. Myers and Phyllis E. Myers; and Hixon Development Company

### Lands to which this release generally applies

T25N-R3W, N.M.P.M.
Section 35: W/2
Containing 320.00 acres, more or less
Rio Arriba County, New Mexico

68219

FILED IN THE COUNTY

CLERK'S OFFICE

AT 1:30 O'CLOCK P.

AT 1:30 O'CLOCK \_ P. M Book 126 \_ Page \_ 382-383

APR 3 1989

CONTRACTO S. CHAVEZ

Terk Ric Arriba County

THE SULLE SU

### Mobil Exploration & Producing U.S. Inc.

P.O. BOX 5444 DENVER, COLORADO 80217-5444

April 4, 1989

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Frank T. Chavez
District Supervisor
New Mexico Oil Conservation Division
Aztec District
1000 Rio Brazos Road
Aztec, NM 87410

UNAPPROVED UNORTHODOX LOCATION HIXON #3 MISSY SECTION 35-T25N-R3W W. LINDRITH GALLUP-DAKOTA POOL RIO ARRIBA COUNTY, NEW MEXICO

Dear Frank:

This letter is to follow up on our recent phone conversations identifying that the Hixon Development Company #3 Missy is in an unapproved unorthodox location. The unorthodox location is due to the location of the well being 330 feet north of the boundary of the West Lindrith Gallup-Dakota Oil Pool. Rule 4 of NMOCD Order R-4314-A specifically states that wells must be 790 feet back from the pool boundary. The #3 Missy does not meet this criteria.

It is our understanding that Hixon Development Company was notified of the unapproved status of their unorthodox location and have elected to continue to drill the well which was spudded before we were aware of their permit. Therefore, we request that the Hixon well not be allowed to produce beyond a 30 calendar day test period until this matter can be brought to hearing and the subject of a well allowable and the unorthodox location be resolved. Further, it is requested that Mobil receive notice of this hearing at the above-listed address.

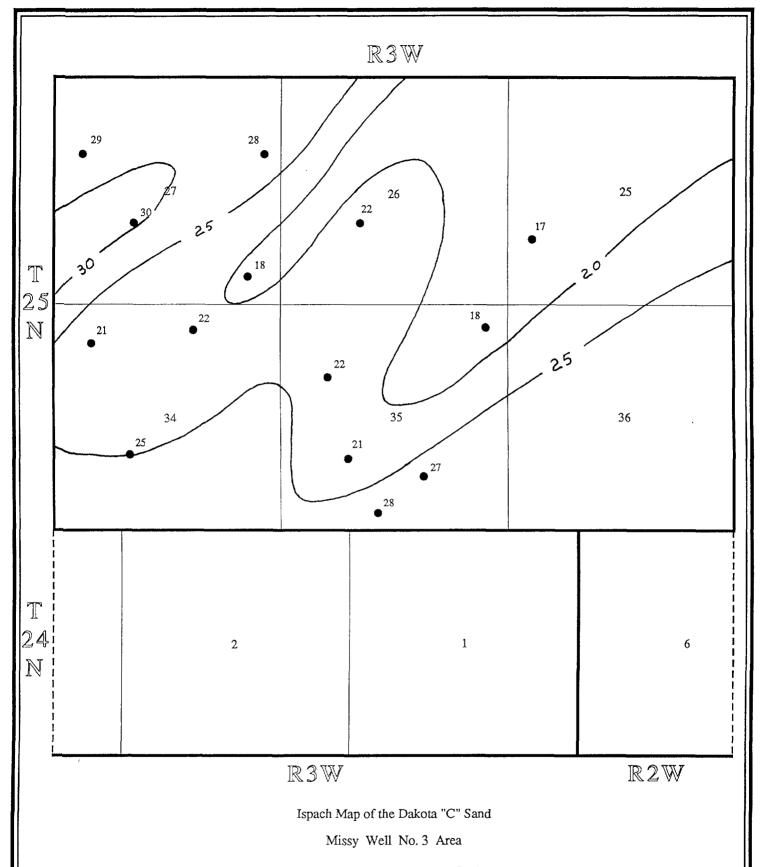
Very truly yours,

B. R. Maynard

Regulatory Compliance Manager

D. R. Maynard

CNEggerman/jag CNE8907



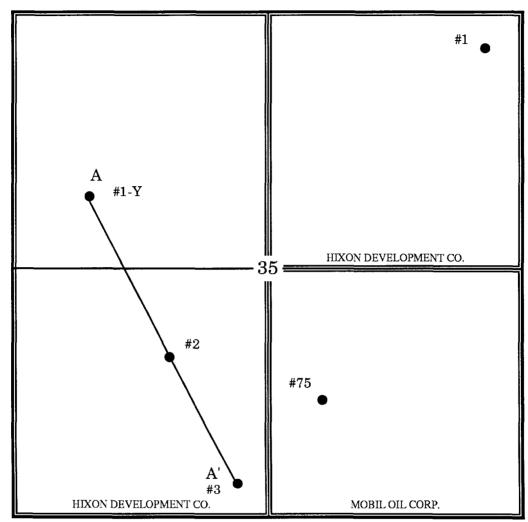
West Lindrith Gallup /Dakota Pool

Rio Arriba Co., New Mexico

scale: 1'' = 2,275'

C.I. = 5'





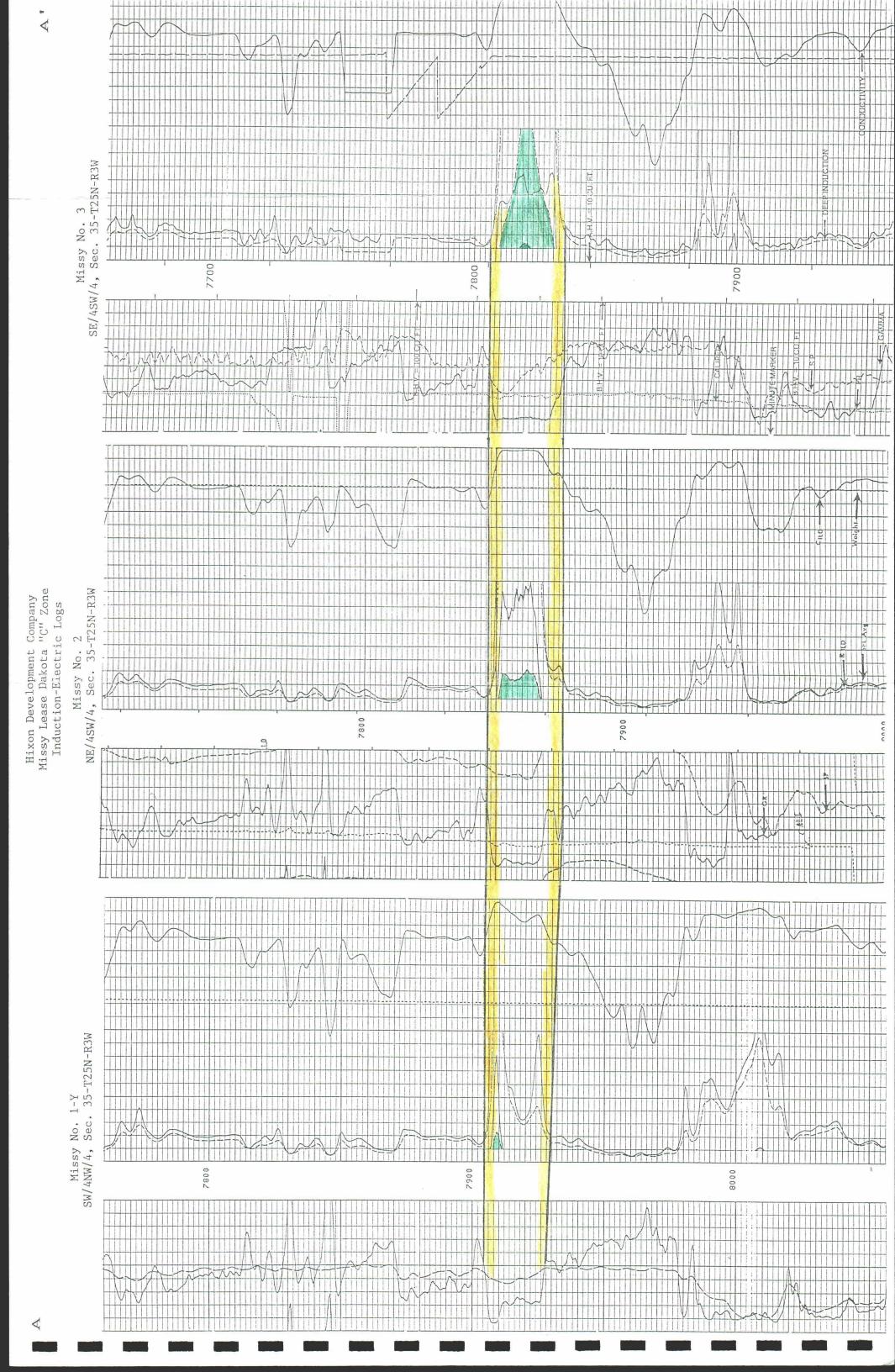
scale: 1" = 1,000'

Cross Section A - A'

Showing Dakota Pay Zone

West Lindrith Gallup / Dakota Pool

Rio Arriba Co., New Mexico



### ELL COST ESTIMATE

| ase Name   | Well No.                  |                         | T 51-1d                               |
|--|---------------------------|-------------------------|---------------------------------------|
| ``   | 3                         |                         | FleidWest Lindrith                    |
| Missy -ocation 330' FSL & 2310' FWL                                    | County                    |                         | Gallup/Dakota                         |
| Section 35, T25N, R3W  | Rio Arriba                |                         | New Mexico                            |
| ormation   | Est. Total Depth:         |                         | New Hexteo                            |
| Dakota   | 8030 <b>'</b>             |                         |                                       |
|  |                           | ING WELL                | DRY HOLE                              |
| JBULAR GOODS   | Sub.                      | Total                   | DRITAGE                               |
| Surface Casing 250 Ft. 9-5/8 Inch. 13.50 \$/                           |                           | 10101                   | \$ 3,375                              |
| Int. Casing Ft. Inch. \$/  | rt                        | ~                       | <u> </u>                              |
| Int. Casing Ft. Inch. \$/ Prod. Casing 8030 Ft. 5-1/2 Inch. 8.00 \$/   | Ft 64,240                 |                         | 64,240                                |
| Ftlnch\$/  |                           |                         |                                       |
|  | Ft                        |                         |                                       |
| Tubing 8030 Ft. 2-7/8 Inch. 2.75 \$/                                   | Ft. 22,083                |                         |                                       |
| Line Pipe 2500 Ft. 2 Inch. 2.65 \$/                                    | Ft. 6,625                 | \$ 96,323               |                                       |
|  |                           |                         |                                       |
| WEEKHEATE EQUIPMENT:   | (0.000                    |                         |                                       |
| Wellhead, Production Tanks, Treater, Meter,                            | 60,000                    | 60,000                  |                                       |
| Valves & Fittings, etc.  |                           |                         |                                       |
| OTHER EQUIPMENT  |                           |                         |                                       |
| Liner Hangers and Production Packers                                   |                           |                         |                                       |
| CONTRACT COSTS:  |                           |                         |                                       |
| 9020   | 99,572                    |                         | 99,572                                |
| 2 3950   | 7 700                     | 7                       | 7,700                                 |
| Daywork w/Day  |                           | 7                       | 7,5700                                |
| Daywork Day \$/Day \$/Day  Daywork Completion 15 Day 1050 \$/Day       | 15 750                    | 123,022                 | 15,750                                |
| Day Day  |                           |                         |                                       |
| MENTING: (Cement and Pump Trucks)                                      |                           |                         |                                       |
| Surface  | 3,200                     | 1                       | 3,200                                 |
| Intermediate   |                           |                         |                                       |
| Production   | 12,000                    | <u> </u>                | 12,000                                |
| Liner  |                           | 4                       |                                       |
| Liner  |                           | 4                       | 1 000                                 |
| P & A  |                           | 15 000                  | 4,000                                 |
| Sq. Job.   |                           | 15,200                  |                                       |
| OMATION TREATMENT  |                           |                         |                                       |
| ANATION TREATMENT:   | 2,000                     |                         | 2,000                                 |
| Acidizing  | 50,000                    | 1                       | 50,000                                |
| Fracturing Equipment Gal. Oil  |                           | 1                       |                                       |
| Gal. Oil   |                           |                         |                                       |
| Sand Lbs.  |                           |                         |                                       |
| Tank Rental  |                           | 52,000                  |                                       |
|  |                           |                         |                                       |
| CIAL SERVICES: (Surveys and Tests)                                     |                           |                         |                                       |
| Perforating  | 5,000                     | · ·                     | 5,000                                 |
| Mud Logging  | 16,000                    | -                       | 16 000                                |
| Electric and Radioactive Logging                                       | 10,000                    | 1                       | 16,000                                |
| Drill Stem Tests   |                           | 21,000                  |                                       |
| Cores  |                           | 21,000                  | · · · · · · · · · · · · · · · · · · · |
| TERIALS:   |                           |                         |                                       |
|  | 30,000                    |                         | 30,000                                |
| Drilling Mud and Chemicals  Orilling Gas or Air                        |                           | 1                       |                                       |
| Nater (Turnkey)  |                           | ]                       |                                       |
| Bits   |                           |                         |                                       |
| Fuel   |                           | 1                       |                                       |
| Cement Equipment (shoes, collars, etc.)                                | 5,000                     | -                       | 5,000                                 |
| Bridge Plugs and Retainers   |                           |                         |                                       |
| Miscellaneous (welding, hauling, rental of tongs, etc.) Packer rental, | 22,733                    | 57,733                  | 15,000                                |
| etc.   |                           |                         |                                       |
| CCESS AND LOCATION:  | 30,000                    | 30,000                  | 30,000                                |
| Total Bloom Acres  |                           |                         |                                       |
| Total Direct Cost Plus %Contingency                                    | 455,278                   | 455,278                 | 362,837                               |
| rius %Contingency  |                           |                         |                                       |
| ESTIMATED TOTAL COST   | \$ 455,278                | \$ 455,278              | <b>\$</b> 362,837                     |
| ORKING INTEREST:   |                           |                         |                                       |
|  | share of actual well cost |                         | g owner to pay proportionate          |
| Others   | snare or actual well cost | subject to operating ag | greement.                             |
| Others   |                           |                         | san Juan repro Form 10                |

MISSY WELL NO. 3
WEST LINDRITH GALLUP/DAKOTA

## \* ECON PROGRAM \* AS OF 4 / 1989

DATE: 04-24-1989 TIME: 19:18:18

FILE: MISSY3

|        |            |               |           |               |            |         |          |                 |           |            | MISSY3           |
|--------|------------|---------------|-----------|---------------|------------|---------|----------|-----------------|-----------|------------|------------------|
| END    | NO.        | * GROSS PRODI | UCTION *  | * NET PRODU   | * NOITS    | * PR    | CES *    | * * * *         | NET RE    | VENUE *    | * * *            |
| MO-YR  | WELLS      | OIL           | GAS       | OIL           | GAS        | OIL     | GAS      | OIL             | GAS       | OTHER      | TOTAL            |
|        |            |               |           | MMC           |            | \$/R    |          | M\$             |           |            |                  |
| 12-89  | 0.7        | 40.965        | 28.676    | 30.724        | 21.507     |         | 1.43     | 553.029         | 30.755    | 0.000      | 583.784          |
| 12-90  | 1.0        | 44.585        | 31.209    | 33.439        | 23.407     |         | 1.43     | 601.896         |           | 0.000      |                  |
|        |            |               |           |               |            |         |          |                 | 33.472    |            | 635.368          |
| 12-91  | 1.0        | 30.212        | 21.149    | 22.659        | 15.861     | 18.00   | 1.43     | 407.864         | 22.682    | 0.000      | 430.546          |
| 12-92  | 1.0        | 20.473        | 14.331    | 15.355        | 10.748     | 18.00   | 1.43     | 276.382         | 15.370    | 0.000      | 291.752          |
| 12-93  | 1.0        | 13.873        | 9.711     | 10.405        | 7.283      | 18.00   | 1.43     | 187.286         | 10.415    | 0.000      | 197.701          |
| 12-94  | 1.0        | 9.401         | 6.581     | 7.051         | 4.935      | 18.00   | 1.43     | 126.911         | 7.058     | 0.000      | 133.969          |
| 12-95  | 1.0        | 6.370         | 4.459     | 4,778         | 3.344      | 18.00   | 1.43     | 85.999          | 4.783     | 0.000      | 90,782           |
| 12-96  | 1.0        | 4.317         | 3.022     | 3.238         |            | 18.00   | 1.43     | 58.275          | 3.241     | 0.000      | 61.516           |
| 12-97  | 0.5        | 1.565         | 1.096     | 1.174         |            | 18.00   | 1.43     | 21.132          | 1.175     | 0.000      | 22,307           |
| 14-71  | 0.0        | 1.505         | 1.070     | 1.114         | 0.022      | 10.00   | 1.45     | 21.132          | 1.175     | 0.000      | 22,301           |
|        |            |               |           |               |            |         |          |                 |           |            |                  |
|        |            |               |           |               |            |         |          |                 |           |            |                  |
| REM.   | 0.0        | 0.000         | 0.000     | 0.000         | 0.000      | 0.00    | 0.00     | 0.000           | 0.000     | 0.000      | 0.000            |
| TOT.   | 0.0        | 171.761       | 120.233   | 128.821       | 90.175     | 18.00   | 1.43     | 2318.773        | 128.950   | 0.000      | 2447.723         |
|        |            |               |           |               |            |         |          |                 |           |            |                  |
| A      | DVALOREM   | WINDFALL      | OPERATING | TOTAL         | OPERATION  | AL      | *** N    | ET INVESTMENTS  | ***       |            | 10.0% CUM        |
| YR &   | PROD TAX   | TAXES         | EXPENSES  | EXPENSES      | CASH FL    | .OW     | TANGIBLE | INTANGIBLE      | LEASEHOLD | CASH FLOW  | DISC C.F.        |
| M\$-   |            | M\$           | M\$       | M\$           | M\$        | M\$-    |          | M\$ M           | \$        | M\$        | M\$              |
| 89     | 78.234     | 0.000         |           | 98.234        |            |         | 156.323  |                 | 0.000     | 30.272     | 13.402           |
| 90     | 85.147     | 0.000         |           | 115.147       |            |         | 0.000    |                 | 0.000     | 520.221    | 475.369          |
| 91     | 57.698     | 0.000         |           | 87.698        |            |         | 0.000    |                 | 0.000     | 342.848    | 752.148          |
|        |            |               |           |               |            |         |          |                 |           |            |                  |
| 92     | 39.098     | 0.000         |           | 69.098        |            |         | 0.000    |                 | 0.000     | 222.654    | 915.554          |
| 93     | 26.494     | 0.000         |           | 56.494        |            |         | 0.000    |                 | 0.000     | 141.206    | 1009.764         |
| 94     | 17.953     | 0.000         | 30.000    | 47.953        | 86.        | 015     | 0.000    | 0.000           | 0.000     | 86.015     | 1061.935         |
| 95     | 12.166     | 0.000         | 30.000    | 42.166        | 48.        | 616     | 0.000    | 0.000           | 0.000     | 48.616     | 1088.741         |
| 96     | 8.244      | 0.000         | 30.000    | 38.244        | 23.        | 272     | 0.000    | 0.000           | 0.000     | 23.272     | 1100.407         |
| 97     | 2.989      | 0.000         | 15.000    | 17.989        | 4.         | 317     | 0.000    | 0.000           | 0.000     | 4.317      | 1102.374         |
|        |            |               |           |               |            |         |          |                 |           |            |                  |
| REM    | 0.000      | 0.000         | 0.000     | 0.000         | 0          | 000     | 0.000    | 0.000           | 0.000     | 0.000      | 0.000            |
| TOT    | 328.023    | 0.000         |           | 573.023       |            |         | 156.323  |                 | 0.000     | 1419.422   | 1102.374         |
| 101    | 320.023    | 0.000         | 243.000   | 3/3.023       | 1074.      | 100     | 150.525  | 290.933         | 0.000     | 1417.422   | 1102.314         |
| PRO    | FITABILITY | INDICATORS    |           |               |            | REVERSI |          |                 |           | PRESENT WO | RTH PROFILE      |
| PAYOUT | (YRS)      | 0.            | .70 INIT  | TAL W.I.      | 100.0000   | -       | ULT      | IMATE OIL (MBBL | .) 171.8  | 5.0        | 1244.694         |
|        | NTED PAYOU |               | .73 FINA  |               | 100.0000   |         |          | IMATE GAS (MMCF |           | 10.0       | 1102.374         |
|        | TE OF RETU |               |           | TAL NRI OIL   |            |         |          | RATING          | 1000      | 15.0       | 984.564          |
|        | /INVESTMEN |               | .12 FINA  |               |            |         |          |                 | 3         |            | 885.641          |
|        | •          |               |           |               |            |         |          | DFALL TIER      |           | 20.0       |                  |
|        | NCOME/INVE |               |           | TAL NRI GAS   |            |         |          | OR PHASE        | 0IL       | 25.0       | 801.535          |
| PROJEC | T LIFE (YR | s) 8.         | .75 FINA  | L NRIGAS      | /5.0000    |         | PRO      | B. OF SUCCESS ( | %) 100.00 | 30.0       | 729.229          |
|        |            |               |           |               |            |         |          |                 |           | 40.0       | 611.473          |
| MYERS  | ET. AL. FE | E             | RI        | O ARRIBA      |            |         |          |                 |           | 50.0       | 519 <b>.7</b> 91 |
| MISSY  | NO. 3      |               | NM        | l             |            |         |          |                 |           | 70.0       | 386.460          |
| WEST L | INDRITH GA | LLUP DAKOTA   | H         | XON DEVELOPME | ENT COMPAN | Y       |          |                 |           | 100.0      | 257.904          |
|        |            |               |           |               |            |         |          |                 |           |            |                  |

DATE : 04-24-1989

TIME : 19:17:48

| LSE ID CODE  |                               |   |   |  |   | FILE : MISSY3   |
|--|-------------------------------|---|---|--|---|---|
| LEASE NAME MYERS ET. AL. FEE                                   |                               |   |   |  |   |   |
| WELL NAME MISSY NO. 3  |                               |   | DECLINE   | INITIAL  | FINAL   | DECLINE TIME CUMULATIVE                               |
| FIELD NAME WEST LINDRITH GALLUP DAKOTA                         |                               |   | - TYPEN-  | RATE-  | RATE  | -PERCENT -MONTHS PROD X100                            |
| COUNTY/ST RIO ARRIBA ,NM                                       | OIL PROD STA                  | RT 5/89   | EXP 0.00  | 0 191.0  | 000.8 000   | 32.2367 97.84 171.76                                  |
| OPERATOR HIXON DEVELOPMENT COMPANY                             | OIL PROD UNI                  | TS B/DAY  |   |  |   |   |
| FOOTNOTE #1 MISSY WELL NO. 3                                   | NUMBER OF WE                  | LLS 1   |   |  |   |   |
| FOOTNOTE #2 WEST LINDRITH GALLUP/DAKOTA                        | GOR (SCF/BBL                  | ) 700.0   |   |  |   |   |
| MAJOR PHASE OIL  |                               |   |   |  |   |   |
| PROJECT START DATE 4/1989                                      |                               |   |   |  |   | •   |
| ENDING MONTH 12  | GAS PROD STA                  | rt 5/89   |   |  |   |   |
| DISC RATE % 10.0   | GAS PROD UNI                  | TS M/MTH  |   |  |   |   |
| SELECTION CODE 111   | NUMBER OF WE                  | LLS 0   |   |  |   |   |
| ECONOMIC LIMIT YES   | YIELD (B/MMC                  | F) 0.0  |   |  |   |   |
| CASH FLOW FACTOR % 100.00                                      |                               |   |   |  |   |   |
| RESERVES FACTOR % 100.00                                       |                               |   |   |  |   |   |
| LOCAL TAXES  |                               |   |   |  |   |   |
| OIL PROD. TAX % 8.44 ADVAL TAX %                               |                               |   |   |  |   |   |
| STEP WELL  |                               |   | TANG INTAN  |  |   | INTAN RISK %  |
| GAS PROD. TAX % 4.69 LEAP WELL                                 | NO                            |   | 454 7 200 0   |  |   |   |
| GAS PROD. TAX \$/M 0.16  |                               | •   | 156.3 299.0   |  | 12/0 0.0  |   |
| DROUGT DRIGG   |                               | -   | 0.0 0.0   |  | -   | 0 0.0 100.00  |
| PRODUCT PRICES   |                               |   | 0.0 0.0   |  | •   | 0.0 100.00  |
| OIL PRICE GAS PRICE-BTU R \$/BBL ESC % ESC \$ YRS \$/MCF ESC % |                               | 12/ 0<br>12/ 0  |   | 100.00   |   | 0   |
| \$/88L ESC % ESC \$ 1KS \$/MCF ESC %                           |                               | 12/ 0   | 0.0 0.0   | 100.00   | •   |   |
| 18.000 30 1.430  | 30                            |   |   |  | E30 0.  | 00% FOR 30 YRS  |
| 10.000   |                               |   |   |  |   |   |
| ٦٥   |                               |   | FEDE  | AL TAY INF   | ODMATION  |   |
| 30<br>30   | 30                            |   |   |  | ORMATION  |   |
| 30   | 30<br>30                      |   | RATE TIM  | E RATE   |   |   |
| 30<br>30   | 30<br>30<br>30                |   | RATE TIM  | E RATE   | TAX LOSS CRR  | Y.FWRD. NO  |
| 30   | 30<br>30<br>30<br>30          |   | RATE TIM  | E RATE   |   | Y.FWRD. NO<br>CO ACRS                                 |
| 30<br>30<br>30   | 30<br>30<br>30<br>30          |   | RATE TIM  | E RATE   | TAX LOSS CRR  | Y.FWRD. NO<br>CO ACRS                                 |
| 30<br>30<br>30   | 30<br>30<br>30<br>30<br>PRICE |   | RATE TIM  | E RATE   | TAX LOSS CRR  | Y.FWRD. NO<br>OD ACRS<br>YRS O                        |
| 30<br>30<br>30<br>30<br>0.000 MAXIMUM PRICE 6.000 MAXIMUM      | 30<br>30<br>30<br>30<br>PRICE | FED TAX   | RATE TIM  | E RATE<br>) 0.00                                       | TAX LOSS CRR<br>DEPREC. METH<br>DEPREC. LIFE                  | Y.FWRD. NO<br>OD ACRS<br>YRS O                        |
| 30 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                  | 30<br>30<br>30<br>30<br>PRICE | FED TAX   | RATE TIM  | E RATE<br>) 0.00                                       | TAX LOSS CRR<br>DEPREC. METH<br>DEPREC. LIFE                  | Y.FWRD. NO<br>OD ACRS<br>YRS O                        |
| 30 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                  | 30<br>30<br>30<br>30<br>PRICE | FED TAX   | RATE TIM<br>RATE 46.00 30<br>PL.<br>OIL             | ME RATE ) 0.00  NO                                     | TAX LOSS CRR<br>DEPREC. METHO<br>DEPREC. LIFE<br>B/O EQUIV. M | Y.FWRD. NO CD ACRS YRS 0 CF/B 6.0 OIL GAS             |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES  | 30<br>30<br>30<br>30<br>PRICE | FED TAX STAT. DE  | RATE TIM RATE 46.00 30 PL. OIL MBBL                 | NO GAS MMCF  | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES  | 30<br>30<br>30<br>30<br>PRICE | STAT. DE  | RATE TIM RATE 46.00 30 PL. OIL MBBL                 | NO GAS MMCF  | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0 CF/B 6.0 OIL GAS             |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES  | 30<br>30<br>30<br>30<br>PRICE | STAT. DE  | RATE TIM RATE 46.00 30 PL. OIL MBBL 40.965          | ME RATE 0 0.00  NO  GAS MMCF 28.676                    | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES  | 30<br>30<br>30<br>30<br>PRICE | STAT. DE  YR WELLS 89 0.7 90 1.0                                      | RATE TIM RATE 46.00 30 PL. OIL MBBL 40.965 44.585   | ME RATE 0 0.00  NO  GAS MMCF 28.676 31.209             | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES  | 30<br>30<br>30<br>30<br>PRICE | FED TAX  STAT. DE  YR WELLS 89 0.7 90 1.0 91 1.0                      | RATE TIM<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF 28.676 31.209 21.149                          | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES  | 30<br>30<br>30<br>30<br>PRICE | FED TAX  STAT. DE  YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0               | RATE TIM<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF 28.676 31.209 21.149 14.331                   | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM OPERATING EXPENSES     | 30<br>30<br>30<br>PRICE       | FED TAX  STAT. DE  YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0        | RATE TIM<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF 28.676 31.209 21.149 14.331 9.711             | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>PRICE       | FED TAX  STAT. DE  YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF 28.676 31.209 21.149 14.331 9.711 6.581       | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>PRICE       | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0             | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF 28.676 31.209 21.149 14.331 9.711 6.581 4.459 | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>PRICE       | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0 96 1.0      | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF   | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>PRICE       | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0             | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF 28.676 31.209 21.149 14.331 9.711 6.581 4.459 | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>PRICE       | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0 96 1.0      | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF   | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>30<br>PRICE | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0 96 1.0      | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF   | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>30<br>PRICE | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0 96 1.0      | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF   | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |
| 30 30 30 0.000 MAXIMUM PRICE 6.000 MAXIMUM                     | 30<br>30<br>30<br>30<br>PRICE | YR WELLS 89 0.7 90 1.0 91 1.0 92 1.0 93 1.0 94 1.0 95 1.0 96 1.0      | RATE 11M<br>RATE 46.00 30<br>PL.<br>OIL<br>MBBL<br> | GAS MMCF   | TAX LOSS CRR DEPREC. METHO DEPREC. LIFE B/O EQUIV. M YR WELLS | Y.FWRD. NO CD ACRS YRS 0  CF/B 6.0  OIL GAS MBBL MMCF |

PRIOR PRODUCTION 0.000 0.000 TOTAL 171.761 120.233 \* ECON PROGRAM \*
AS OF 4 / 1989

DATE: 04-24-1989 TIME: 19:03:19

FILE: MISSY3

| END    | NO.          | * GROSS PROD | UCTION *  | * NET PRODU  | CTION *    | * PR               | ICES *   | * * * *         | NET RE     | VENUE *        | * * *       |
|--------|--------------|--------------|-----------|--------------|------------|--------------------|----------|-----------------|------------|----------------|-------------|
| MO-YR  | WELLS        | OIL          | GAS       | OIL          | GAS        | OIL                |          | OIL             | GAS        | OTHER          | TOTAL       |
|        | MBBU         |              | F MBBL    |              | F          | \$/8               | \$/M M\$ | M\$-            | M\$-       | M\$            |             |
| 12-89  |              | 19.431       | 13.602    | 14.573       | 10.201     |                    |          | 262.323         | 14.588     | 0.000          | 276.911     |
| 12-90  | 1.0          | 29.147       | 20.403    | 21.860       | 15.302     |                    |          | 393.484         | 21.882     | 0.000          | 415.366     |
| 12-91  | 1.0          | 29.147       | 20.403    | 21.860       | 15.302     |                    | 1.43     | 393.484         | 21.882     | 0.000          | 415.366     |
| 12-92  | 1.0          | 27.244       | 19.071    | 20.433       | 14.303     |                    | 1.43     | 367.793         | 20.453     | 0.000          | 388.246     |
| 12-93  | 1.0          | 20.273       | 14.191    | 15.205       | 10.644     |                    | 1.43     | 273.691         | 15.220     | 0.000          | 288.912     |
| 12-94  | 1.0          | 14.800       | 10.360    | 11.100       |            | 18.00              | 1.43     | 199.795         | 11.111     | 0.000          | 210.906     |
| 12-95  | 1.0          | 10.804       | 7.563     | 8.103        |            | 18.00              | 1.43     | 145.850         | 8.111      | 0.000          | 153.961     |
| 12-96  | 1.0          | 7.887        | 5.521     | 5.915        |            | 18.00              |          | 106.470         | 5.921      | 0.000          | 112.392     |
| 12-97  | 1.0          | 5.757        | 4.030     | 4.318        |            | 18.00              | 1.43     | 77.724          | 4.322      | 0.000          | 82.046      |
| 12-98  | 1.0          | 4.203        | 2.942     | 3.152        |            | 18.00              | 1.43     | 56.738          | 3.155      | 0.000          | 59.893      |
| 12-99  | 1.0          | 3.068        | 2.148     | 2.301        | 1.611      | 18.00              | 1.43     | 41.419          | 2.303      | 0.000          | 43.722      |
|        |              |              |           |              |            |                    |          |                 |            |                |             |
| REM.   | 0.0          | 0.000        | 0.000     | 0.000        | 0.000      | 0.00               | 0.00     | 0.000           | 0.000      | 0.000          | 0.000       |
| TOT.   | 0.0          | 171.761      |           | 128.821      | 90.174     |                    |          | 2318.771        | 128.949    | 0.000          | 2447.720    |
| 101.   | 0.0          | 1111101      | 120.255   | 120.02.1     | 70.174     | 10.00              | 1.45     | ۵               | 120.747    | 0.000          | 2447.720    |
| A      | DVALOREM     | WINDFALL     | OPERATING | TOTAL        | OPERATION  | AL                 | *** N    | ET INVESTMENTS  | ***        |                | 10.0% CUM   |
| YR &   | PROD TAX     | TAXES        | EXPENSES  | EXPENSES     | CASH FL    | OW                 | TANGIBLE | INTANGIBLE      | LEASEHOLD  | CASH FLOW      | DISC C.F.   |
| M\$-   |              | M\$          | M\$ !     | 1\$          | M\$        | M\$-               |          | M\$ I           | M\$        | M\$            | M\$         |
| 89     | 37.109       | 0.000        | 20.000    | 57.109       | 219.       | 801                | 156.323  | 298.955         | 0.000      | -235.477       | -243.114    |
| 90     | 55.664       | 0.000        | 30.000    | 85.664       | 329.       | 702                | 0.000    | 0.000           | 0.000      | 329.702        | 49.669      |
| 91     | 55.664       | 0.000        | 30.000    | 85.664       | 329.       | 702                | 0.000    | 0.000           | 0.000      | 329.702        | 315.835     |
| 92     | 52.029       | 0.000        | 30.000    | 82.029       |            | 217                | 0.000    | 0.000           | 0.000      | 306.217        | 540.568     |
| 93     | 38.717       | 0.000        | 30.000    | 68.717       |            |                    | 0.000    | 0.000           | 0.000      | 220.194        | 687.478     |
| 94     | 28.264       | 0.000        |           | 58.264       |            |                    | 0.000    |                 | 0.000      | 152.642        | 780.060     |
| 95     | 20.633       | 0.000        |           | 50.633       |            |                    | 0.000    |                 | 0.000      | 103.328        | 837.034     |
| 96     | 15.062       | 0.000        |           | 45.062       |            | 330                | 0.000    |                 | 0.000      | <b>67.33</b> 0 | 870.784     |
| 97     | 10.995       | 0.000        |           | 40.995       |            | 051                | 0.000    |                 | 0.000      | 41.051         | 889.491     |
| 98     | 8.026        | 0.000        |           | 38.026       |            | 867                | 0.000    |                 | 0.000      | 21.867         | 898.550     |
| 99     | 5.859        | 0.000        | 30.000    | 35.859       | 7.         | 863                | 0.000    | 0.000           | 0.000      | 7.863          | 901.511     |
| REM    | 0.000        | 0.000        | 0.000     | 0.000        | ń          | 000                | 0.000    | 0.000           | 0.000      | 0.000          | 0.000       |
| TOT    | 328.022      | 0.000        |           | 648.022      | 1799.      |                    | 156.323  |                 | 0.000      | 1344.419       | 901.511     |
|        | 0201022      | 0.000        | 220.000   | 0,0.022      | 1177.      | ٠,,                | 1301363  | 2,0.,33         | 0.000      | 1544.417       | 701.511     |
| PRO    | FITABILITY   | INDICATORS   |           |              |            | REVERSI<br>OINTS(Y |          |                 |            | PRESENT WO     | RTH PROFILE |
| PAYOUT |              |              |           |              | 100.0000   |                    |          | IMATE OIL (MBBI |            | 5.0            | 1094.316    |
|        | NTED PAYOU   |              | .58 FINAL |              | 100.0000   |                    | ULT      | IMATE GAS (MMCI | -          | 10.0           | 901.511     |
|        | TE OF RETU   |              |           | IAL NRI OIL  |            |                    |          | RATING          | 1000       | 15.0           | 749.581     |
|        | /INVESTMEN   |              | .95 FINAL |              |            |                    |          | DFALL TIER      | 3          | 20.0           | 627.544     |
|        | NCOME/INVE   |              |           | AL NRI GAS   |            |                    |          | OR PHASE        | OIL        | 25.0           | 527.863     |
| PROJEC | T LIFE (YR   | (S) 10       | .75 FINAL | . NRI GAS    | 75.0000    |                    | PRO      | 3. OF SUCCESS ( | (%) 100.00 | 30.0           | 445.234     |
|        |              |              |           |              |            |                    |          |                 |            | 40.0           | 316.890     |
|        | ET. AL. FE   | E            |           | ARRIBA       |            |                    |          |                 |            | 50.0           | 222.454     |
| MISSY  |              | IIID DAVOT:  | NM        | (A)   DELET  |            | .,                 |          |                 |            | 70.0           | 93.998      |
| WESI L | אטאוואטאז GA | LLUP DAKOTA  | КІН       | ON DEVELOPME | :NI LUMPAN | T                  |          |                 |            | 100.0          | -19.503     |

DATE: 04-24-1989

TIME: 19:02:16
FILE: MISSY3

|             |  |   |  |   | FILE : MISSY3      |
|-------------|--|---|--|---|--------------------|
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             | TYPEN  | RATE  | RATE   | -PERCENT  | -MONTHS PROD X10   |
| START 5/89  | CON 0.000  | 79.800  | 79.800   | 0.0000  | <b>36.</b> 00 87.4 |
| UNITS B/DAY | EXP 0.000  | 79.800  | 4.000  | 27.0000   | 114.13 175.4       |
| WELLS 1     |  |   |  |   |                    |
| BBL) 700.0  |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
| START 5/89  |  |   |  |   |                    |
| UNITS M/MTH |  |   |  |   |                    |
| WELLS 0     |  |   |  |   |                    |
| MMCF) 0.0   |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             | GROSS  | CAPITAL INV   | ESTMENTS   |   |                    |
| MO/YR T/    | ANG INTAN  | RISK % MO   | /YR TANG   | INTAN   | RISK %             |
|             |  |   |  |   |                    |
| 4/89 1      | 56.3 299.0   | 100.00 12   | / 0 0.0  | 0.0   | 100.00             |
|             |  |   |  |   | 100.00             |
|             |  |   |  |   |                    |
|             |  |   |  |   | 100.00             |
|             |  |   |  |   | 100.00             |
| ,           |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             | FEDERA   | L TAX INFORM  | ATION  |   |                    |
|             |  |   |  |   |                    |
| FED TAX RA  |  |   | X LOSS CRRY  | r.FWRD. 1   | NO                 |
|             |  |   |  |   |                    |
|             |  | DE  | PREC. LIFE   | YRS   | 0                  |
| STAT. DEP   | L.   | NO B/   | O EQUIV. MO  | F/B 6   | .0                 |
|             |  | ·   |  | -   |                    |
|             |  |   |  |   |                    |
| VD UELLO    |  |   |  |   | GAS                |
|             |  |   | WELLS I  | IRRE  | MMCF               |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
|             |  |   |  |   |                    |
| 97 1.0      | 5.757  | 4.030   |  |   |                    |
| 98 1.0      | 4.203  | 2.942   |  |   |                    |
|             | 7 0 10   |   |  |   |                    |
| 99 1.0      | 3.068  | 2.148   |  |   |                    |
|             | 3.068<br>2.240<br>1.413  | 2.148<br>1.568<br>0.989   |  |   |                    |
|             | START 5/89 UNITS B/DAY WELLS 1 (BBL) 700.0  START 5/89 UNITS M/MTH WELLS 0 (MMCF) 0.0  MO/YR T. 4/89 1 12/ 0 | TYPEN- START 5/89 CON 0.000 UNITS B/DAY EXP 0.000  WELLS 1 (BBL) 700.0  START 5/89 UNITS M/MTH WELLS 0 (MMCF) 0.0  MO/YR TANG INTAN  4/89 156.3 299.0  12/ 0 0.0 0.0  12/ 0 0.0 0.0  12/ 0 0.0 0.0  12/ 0 0.0 0.0  STAT. DEPL.  OIL YR WELLS MBBL | TYPENRATE START 5/89 CON 0.000 79.800  UNITS B/DAY EXP 0.000 79.800  WELLS 1  (BBL) 700.0  START 5/89 UNITS M/MTH  WELLS 0  (MMCF) 0.0  MO/YR TANG INTAN RISK % MO  12/ 0 0.0 0.0 100.00 12  12/ 0 0.0 0.0 0.0 100.00 12  12/ 0 0.0 0.0 100.00 12  12/ 0 0.0 0.0 100.00 12  12/ 0 0.0 0.0 100. | TYPENRATE | WELLS              |

PRIOR PRODUCTION 0.000 0.000 TOTAL 175.414 122.789

# Application of Hixon Development Company for Unorthodox Location

Rio Arriba County, New Mexico

New Mexico Oil Conservation Division

Case #9661

Prepared by Hixon Development Company

July 20, 1989

| BEFORE THE                  |
|-----------------------------|
| OIL CONSERVATION COMMISSION |
| Santa Fe, New Mexico        |
| Case No. 966 / Exhibit No   |
| Submitted by Hixow          |
| Hearing Date 7/20/89        |

### Application of Hixon Development Company for Unorthodox Location Rio Arriba County, New Mexico

### New Mexico Oil Conservation Division Case No. 9661

| TABLE OF CONTENTS  | PAGE           |
|--|----------------|
| Chronology of Events   | 1              |
| Plat Showing Vicinity of Section 15, T25N, R3W                           | 2              |
| Plat Showing Locations of Wells in Section 35                            | 3              |
| Plat Showing Standard Locations in Section 35                            | 4              |
| Approved Application for Permit to Drill Missy Well No. 3                | 5-6            |
| Sundry Notice of Spudding and Cementing Surface Casing                   | 7              |
| Mobil Letter Notifying Hixon Development Company of Nonstandard Location | 8              |
| Isopach Map- of Dakota "D" Sand  | 9              |
| Missy Well No. 3 Logs  | 10-11          |
| Mobil Landrith B No. 75 Logs   | 12-13          |
| Gavilan-Mancos Type Log Comparison                                       | 14             |
| West Lindrith Pool Rules Order R-1314-A                                  | 15-17          |
| Examiner Order R-8935  | 18-19          |
| Proposed Solutions  1. Double Circle Method                              | 20<br>21<br>22 |
| Request for Allowable  | 23             |
| Current Allowable  | 24             |

Hixon Development Company Missy Well No. 3 330' FSL, 2310' FWL Section 35, T25N, R3W Rio Arriba Co., NM

March 14, 1989

John Corbett of Hixon Development called NMOCD office in Aztec, NM regarding numbering, allowable, and legal location of infill the West Lindrith wells in Gallup/Dakota pool. Proposed well to be named the Missy No. 3, location of 330' FSL, 2310' FWL, Sec. 35, T25N, R3W was allowed provided we were 660' from the Mobil Lindrith B No. 75 and the Missy No. 2, top allowable of 382 BOD and 2,000 GOR was not to be exceeded by combined production of the Missy No. 2 and No. 2 production of the Missy No. 2 and No. 3.

March 15, 1989

Charles Harraden of Hixon Development Company and Ed Risenhoover (Professional Surveyor) staked location.

Received approved APD from NMOCD in Aztec.

Received verbal approval from landowner to build location.

March 20 - 27, 1989

March 28, 1989

Mobil picked up a copy of the APD at NMOCD in Aztec. 20, 1989
Arapahoe Drilling Company

March 30, 1989

Mr. & Frank Chaves of NMOCD called at 4:20 pm to notify Hixon Development that the location may be nonstandard.

March 31, 1989 Verified that location was nonstandard.

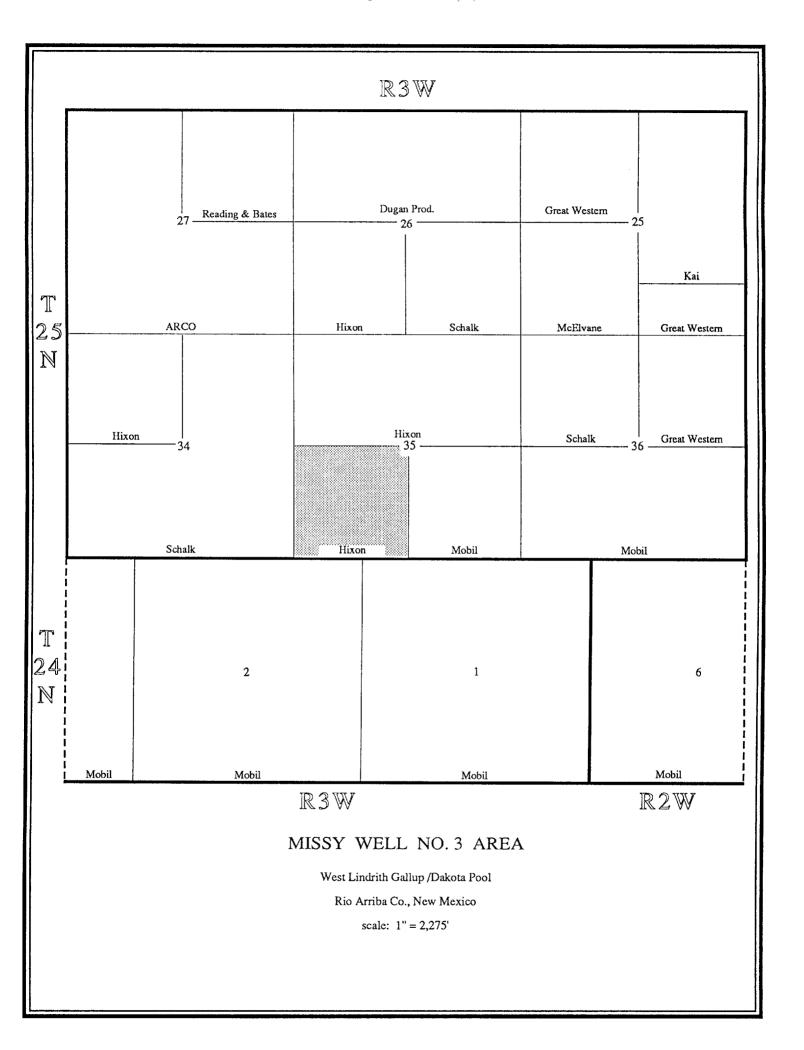
April 3, 1989

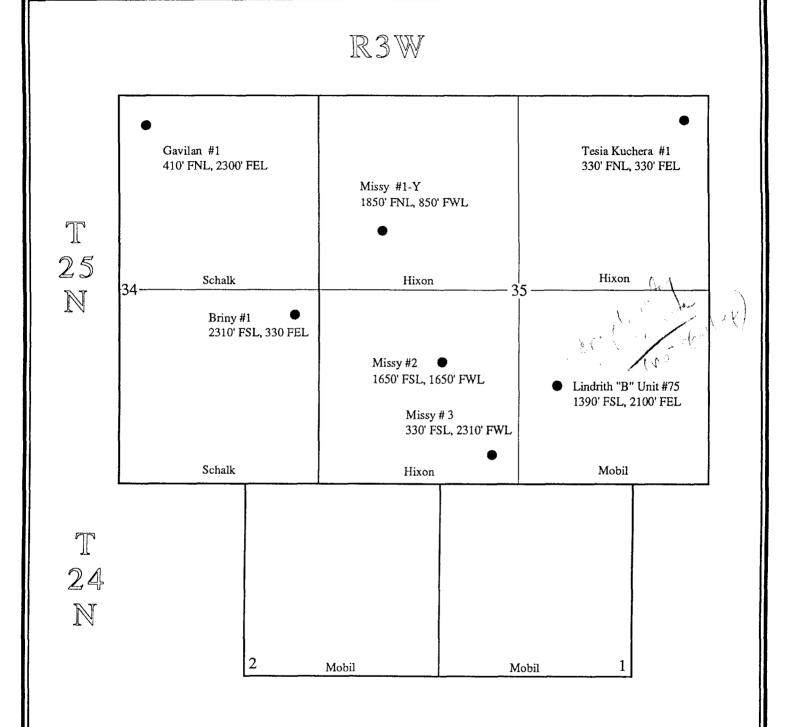
Placed case on NMOCD docket for April 26 seeking approval of nonstandard location.

Notified offset operator (Mobil) of pending hearing.

April 20, 1989

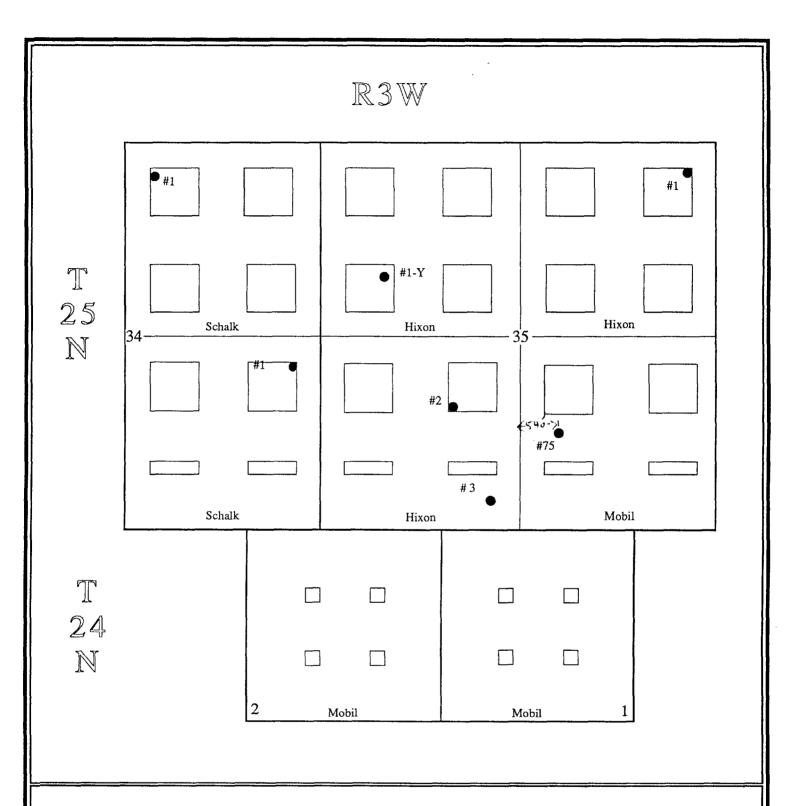
Mobil proposed allowable for Missy 3 of 79.8 BOD based on (382 BOD /2 wells) (330'/790').





Plat Showing Currently Producing
West Lindrith Gallup/Dakota Pool Wells
In Proration Units Surrounding the
Missy Well No. 3

scale: 1'' = 1320'



Plat Showing Currently Producing West Lindrith Gallup/Dakota Pool Wells and Legal Locations Surrounding the Missy Well No. 3

scale: 1'' = 1320'

# Submit to Appropriate District Office State Lease — 6 copies Fee Lease — 5 copies

(This space for State Use)

CONDITIONS OF AITROVAL, IF ANY:

# State of New Mexico Energy, Minerals and Natural Resources Department

Form C-101 Revised 1-1-89

MAR 17 1983

| State Lease — 6 copies Fee Lease — 5 copies |   |   |  |  |                               |  |  |  |
|---|---|---|--|--|-------------------------------|--|--|--|
| DISTRICT I                                  | or L  | CONSERVATION  |  | API NO. (assigned by OC                        | D on New Wells)               |  |  |  |
| P.O. Box 1980, Hobbs, N                     |   | P.O. Box 20   |  | 30-037-2                                       | <u>.</u>                      |  |  |  |
| DISTRICT II<br>P.O. Drawer DD, Artesia,     |   | Santa Fe, New Mexico  | 87504-2088                                   | 5. Indicate Type of Lease  STATE FEE XX        |                               |  |  |  |
| DISTRICT III<br>1000 Rio Brazos Rd., Azi    | ec, NM 87410  |   |  | 6. State Oil & Gas Lease                       | No.                           |  |  |  |
| APPLICA                                     | TION FOR PERMIT   | TO DRILL, DEEPEN, O   | OR PLUG BACK                                 |  |                               |  |  |  |
| 12. Type of Work:                           |   |   | ····   | 7. Lease Name or Unit A                        | greement Name                 |  |  |  |
| DRIL  | L 🔯 RE-ENTE   | R DEEPEN  | PLUG BACK                                    |  |                               |  |  |  |
| b. Type of Well: OIL OAS WELL [X] WELL [    | OTHER   | SINOLE<br>ZONE  | MULTIFLE ZONE                                | Missy  |                               |  |  |  |
| 2. Name of Operator Hixon Develo            | pment Company   |   |  | 8. Well No.                                    |                               |  |  |  |
| 3. Address of Operator P. O. Box 281        | O, Farmington,  | New Mexico 87499  | 9  | 9. Pool name or Wildcat West Lindrit           | h Gallup/Dakota               |  |  |  |
| 4. Well Location                            | <del></del>   |   |  | "CSC BINGITE                                   | :                             |  |  |  |
|   | N : 330 Feet F  | from The South  | Line and 2310                                | Feet From The                                  | West Line                     |  |  |  |
| Section 3                                   | 5 Town  | ship 25N Rai  | nge 3W 1                                     | ммрм Rio Arriba                                | County                        |  |  |  |
|   |   | 10. Proposed Depth  | 11   | ormation                                       | 12. Rotary or C.T.            |  |  |  |
|   |   | 8030'   |  | Gallup/Dakota                                  | Rotary                        |  |  |  |
| 13. Elevations (Show wheth                  | er DF, RT, GR, etc.)  | 14. Kind & Status Plug. Bond  | 15. Drilling Contractor Unknown              | 16. Approx. I                                  | Date Work will start 26, 1989 |  |  |  |
| 17.   | PR  | ROPOSED CASING AN   |  |  |                               |  |  |  |
| SIZE OF HOLE                                | SIZE OF CASING  | WEIGHT PER FOOT   | SETTING DEPTH                                | SACKS OF CEMENT                                | EST. TOP                      |  |  |  |
| 12-1/4"                                     | 9-5/8"  | 36.0#   | 250'   | 160 sks.                                       | Surface                       |  |  |  |
| 8-3/4"                                      | 5-1/2"  | 17.0#   | 8030'  | 1035 sks.                                      | Surface                       |  |  |  |
| o:<br>Si<br>us                              | il well. It will torage facilities sed during drill APPROVA UNLESS E SPUD NO WITHIN TRIBE PROPOSED PROGRE | o drill the subjected by the evaluated of the evaluated of the subject of the evaluated of the evaluations.  AL EXPIRES 9-17-8-10  CRILLING IS COMMENCE TICE MUST BE SUBMITED TO THE EVALUATION OF THE EVALUATION | on the basis of ed on the site.  TED. MARI 7 | th Gallup/Dakota open hole logs. A BOP will be | PROPOSED NEW PRODUCTIVE       |  |  |  |
| I nerecy certify that the information       | ation soove is true and complete  | to the best of my knowledge and b   |  | - Fra lasatés                                  | March 16 1000                 |  |  |  |
| John C.                                     | Corbett   | πυ  | , vice rresident                             | -Exploration DATE                              |                               |  |  |  |
| TYPE OR PRINT NAME                          |   |   |  | TELE   | PIONE NO.                     |  |  |  |

Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

### State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

### OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II P.O. Drawer DD, Artesia, NM 88210

DISTRICT I P.O. Box 1980, Hobbe, NM 88240

## DISTRICT III 1000 Rio Brizzos Rd., Aztec, NM 87410 WELL LOCATION AND ACREAGE DEDICATION PLAT

|  |           |                  | Ali Uis                                 | tances must be    |                 | er boundarie            | s of the soction                      | n             |                                       |   |
|--|-----------|------------------|---|-------------------|-----------------|-------------------------|---------------------------------------|---------------|---------------------------------------|---|
| Operator   |           |                  |   |                   | Lease           |                         |                                       |               |                                       | Well No   |
|  |           | ment Comp        |   |                   | Missy           |                         |                                       |               |                                       | , 3   |
| Jnit Letter                                      | Section   |                  | Township                                |                   | Range           |                         |                                       |               | County                                |   |
| · N  |           | 35               | 2                                       | 5N                |                 | 3W                      | NI NI                                 | мРМ           |                                       | Rio Arriba  |
| ctual Footage Loc                                | cation of | Well:            |   |                   |                 |                         |                                       |               |                                       |   |
| 330  |           | om the           | South                                   | line and          | 2310            |                         | ીલ્લ                                  | from I        | the Wes                               | me  |
| round level Elev.                                |           |                  | g Formation                             |                   | P∞l             |                         | -                                     |               |                                       | Dedicated Acreage:                                      |
| 7038   |           |                  | /Dakota                                 |                   |                 |                         | Gallup/                               | Dak           | ota                                   | 160 Acres   |
| I. Outlin  | se the ac | reage dedicated  | to the subject we                       | ll by colored pen | cil or hachure  | marks on the            | plat below.                           |               |                                       | 51~/47  |
| 2. If mor  | re than o | ne lease is dod  | icated to the well,                     | outline each and  | identify the or | Amership there          | of (both as to w                      | vorkin        | g interest and i                      | royalty).   |
| 3. If mor  | re than o | ne lease of diff | erent ownership is                      | dedicated to the  | well, have the  | interest of al          | l owners been o                       | og soli       | dated by comn                         | nunitization.   |
|  |           | ce-pooling, etc  |   |                   | ·               |                         |                                       |               | •                                     | •   |
| 🗆  | Yes       | 🗆                |   | swer is "yes" typ |                 |                         | · · · · · · · · · · · · · · · · · · · |               |                                       | · ·   |
|  |           |                  | and tract descript                      | ions which have   | actually been   | consolidated            | (Use reverse si                       | de of         |                                       |   |
| this form  |           |                  | o the well until all                    | interests have be | en consolidate  | d fby commu             | nitization unitia                     | rion          | formed-modine                         | or otherwise)   |
| or until a                                       | non-stat  | idard unit, elir | ninating such inter                     | est, has been app | roved by the I  | d (o) commu<br>Division | muzacon, umuz                         | <b>A</b> 000, | ioteco-pocia                          | g, or otherwise)  |
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|  |           | 1                |   |                   |                 | I                       |                                       |               |                                       | OR CERTIFICATION  |
| •  |           | i                |   | 1                 |                 | i                       |                                       |               |                                       | certify that the information                            |
|  |           | ;                |   |                   |                 | 1                       |                                       |               |                                       | n in true and complete to the edge and belief.          |
|  |           | 1                |   |                   |                 | [                       |                                       | 04            | si oj my knowi                        | eage and being.   |
|  |           | į                |   |                   |                 | 1                       |                                       | 31            | nature                                | <del></del>   |
| •  |           |                  |   | ·                 |                 | <u> </u>                |                                       |               | 11                                    |   |
|  |           |                  |   |                   |                 | ļ                       |                                       |               | inted Name                            | C. Contrag  |
|  |           | 1                |   |                   |                 | İ                       |                                       |               | ohn C. (                              | Corbett   |
|  |           |                  |   |                   | · · ·           | Γ                       |                                       | <u> </u>      | eition                                | or perc   |
|  |           | 1                |   |                   |                 | 1                       |                                       | 1             |                                       | ident - Evolerat  |
|  |           | i                |   |                   |                 | i                       |                                       |               | mpany                                 | ident - Explorat  |
|  |           | i                |   |                   |                 | i                       | {                                     | - 1           |                                       | 1 4 0   |
|  |           | 1                |   |                   |                 | ]<br>                   | ļ                                     | _             |                                       | relopment Co.   |
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|  |           | ļ                |   |                   |                 | }<br>1                  |                                       | M             | arch 16,                              | 1989  |
|  |           | ļ                | SECTION                                 | 35                |                 |                         |                                       | - 1           | SURVEY                                | OR CERTIFICATION \                                      |
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|  |           | 1                |   |                   |                 | 1                       |                                       |               |                                       | best of my knowledge and                                |
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|  | <b>-</b>  |                  |   |                   |                 |                         |                                       | J             | 70 Para                               | CONAL DARBETT   |
| 330 660 5  | 990 I.    | 120 1650         | 1960 2310 264                           | 0 2000            | 1500            | 1000                    | 500 0                                 | 1             | · · · · · · · · · · · · · · · · · · · | ANAL OF "CC.  |

### Mobil Exploration & Producing U.S. Inc.

P.O. BOX 5444 DENVER, COLORADO 80217-5444

April 4, 1989

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Frank T. Chavez
District Supervisor
New Mexico Oil Conservation Division
Aztec District
1000 Rio Brazos Road
Aztec, NM 87410

UNAPPROVED UNORTHODOX LOCATION HIXON #3 MISSY SECTION 35-T25N-R3W W. LINDRITH GALLUP-DAKOTA POOL RIO ARRIBA COUNTY, NEW MEXICO

#### Dear Frank:

This letter is to follow up on our recent phone conversations identifying that the Hixon Development Company #3 Missy is in an unapproved unorthodox location. The unorthodox location is due to the location of the well being 330 feet north of the boundary of the West Lindrith Gallup-Dakota Oil Pool. Rule 4 of NMOCD Order R-4314-A specifically states that wells must be 790 feet back from the pool boundary. The #3 Missy does not meet this criteria.

It is our understanding that Hixon Development Company was notified of the unapproved status of their unorthodox location and have elected to continue to drill the well which was spudded before we were aware of their permit. Therefore, we request that the Hixon well not be allowed to produce beyond a 30 calendar day test period until this matter can be brought to hearing and the subject of a well allowable and the unorthodox location be resolved. Further, it is requested that Mobil receive notice of this hearing at the above-listed address.

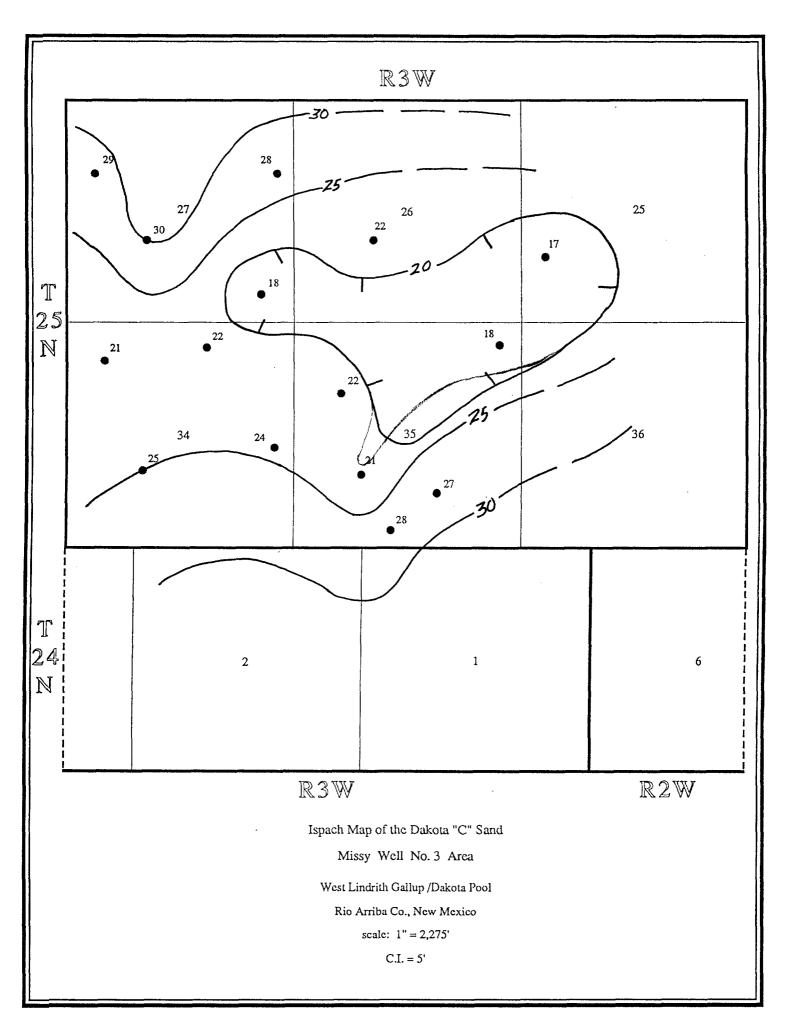
Very truly yours,

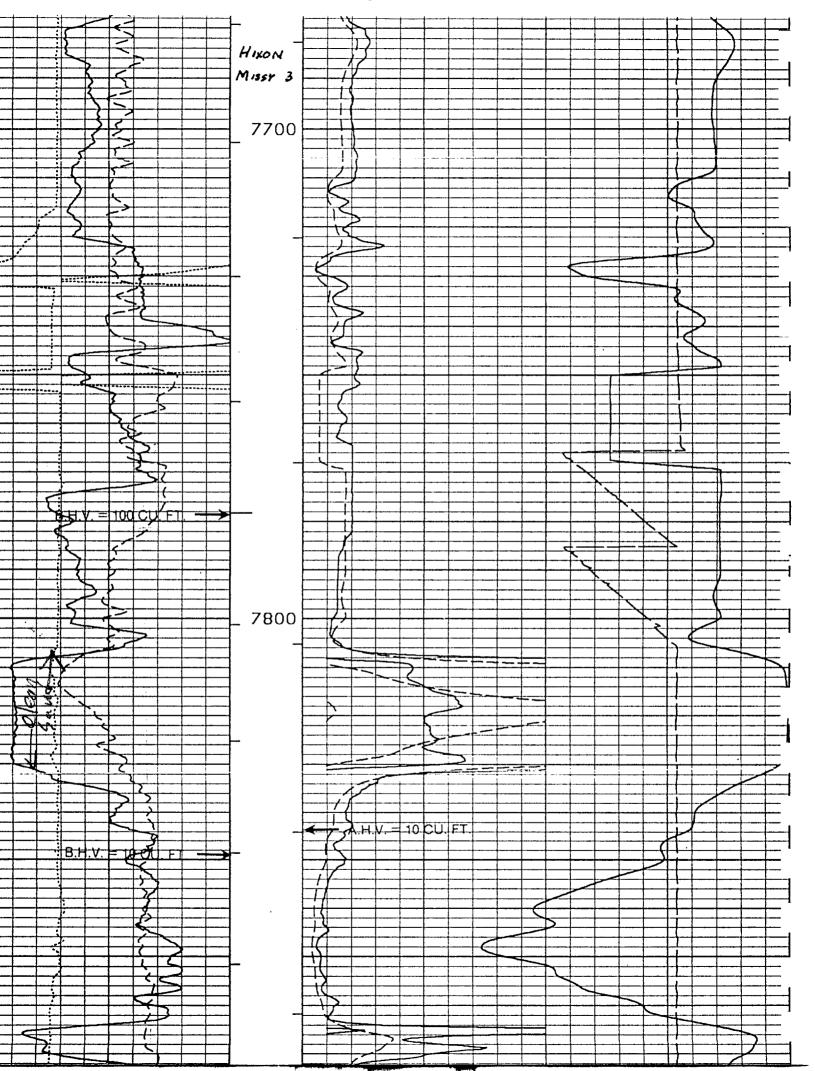
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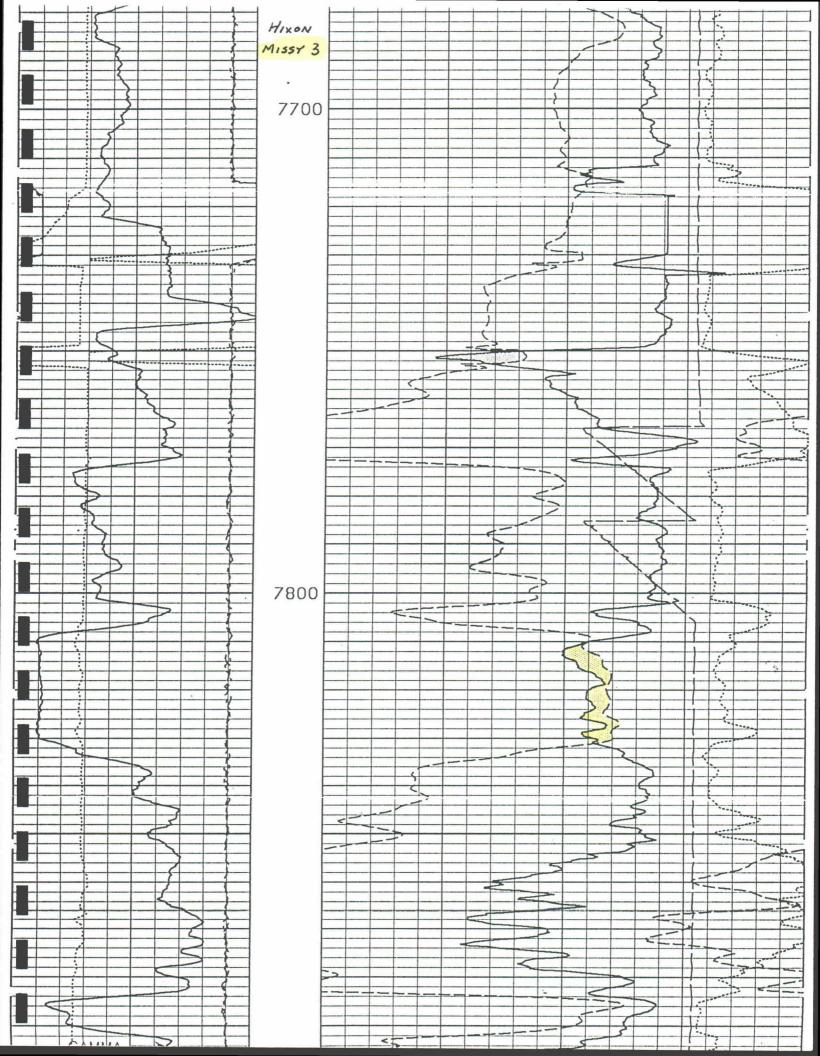
Regulatory Compliance Manager

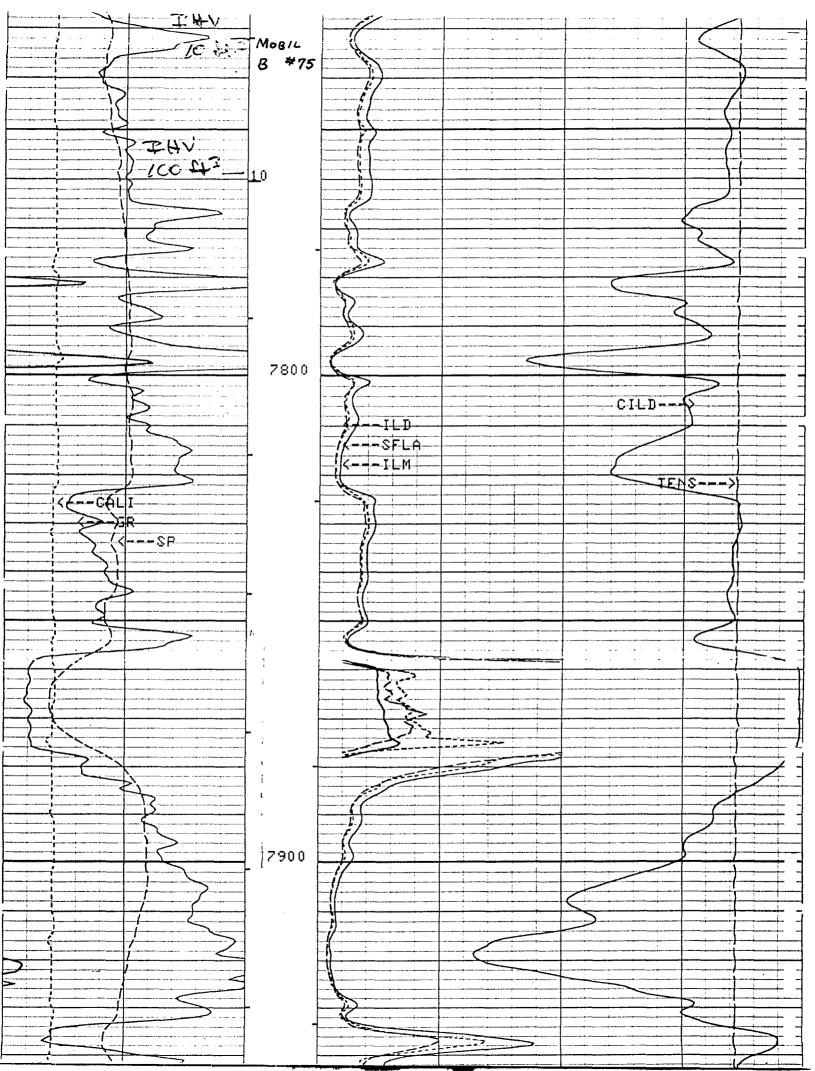
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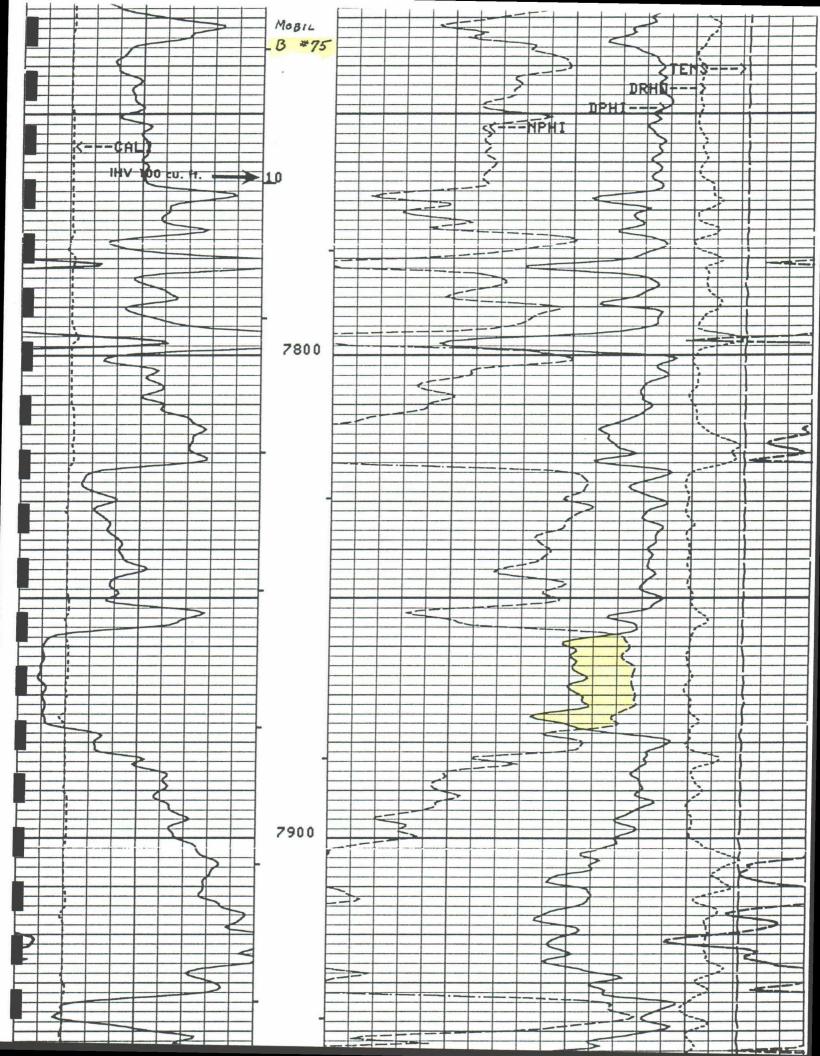
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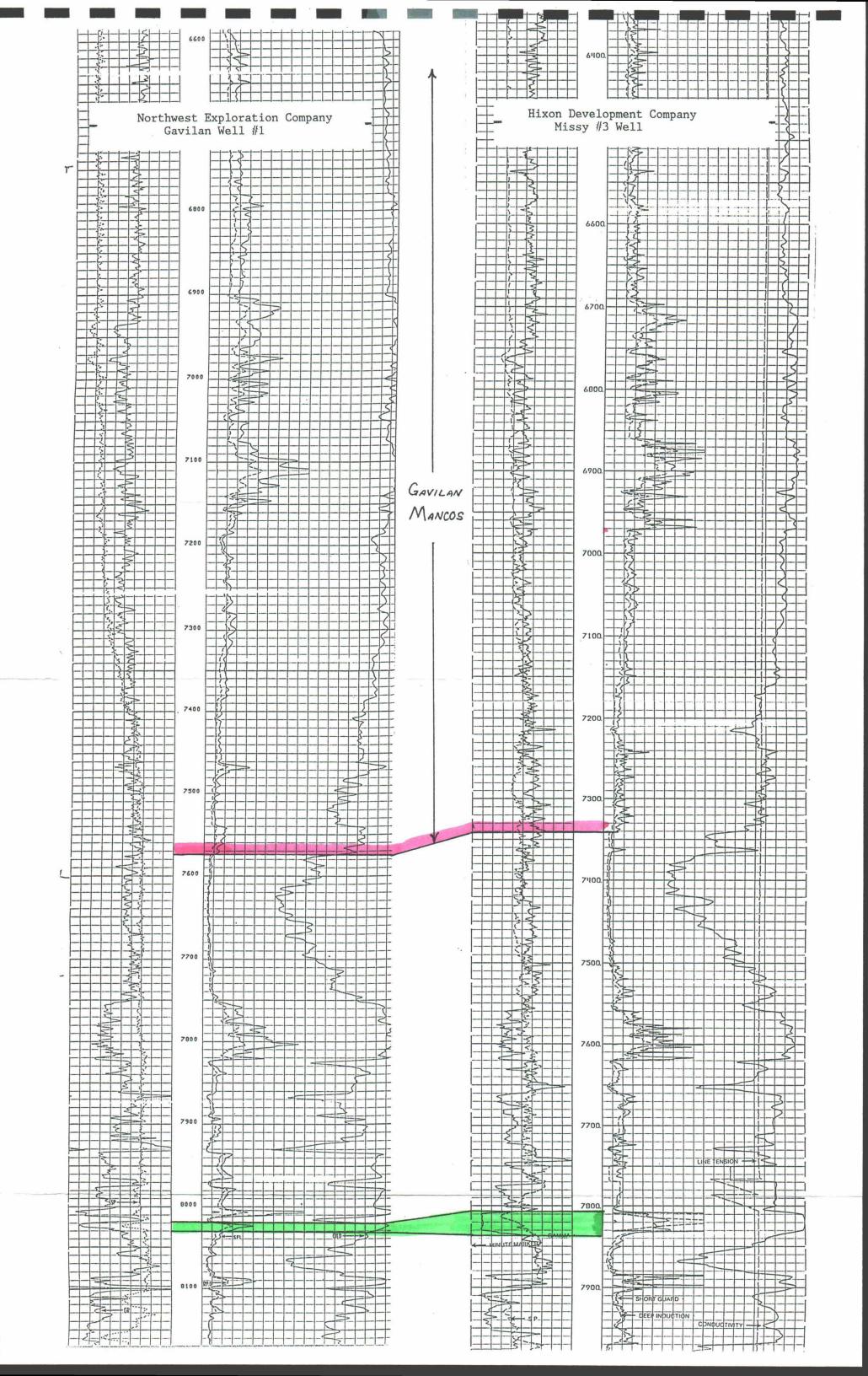












#### (SANTO NINO-BONE SPRING POOL - Cont'd.)

- (5) This case shall be reopened at an examiner hearing in November, 1990 at which time the operators in the subject pool may appear and show cause why the Santo Nino-Bone Spring Pool should not be developed on 40-acre spacing units.
- (6) 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.

#### WEST LINDRITH GALLUP-DAKOTA OIL POOL Rio Arriba County, New Mexico

Order No. R-4314-A, Adopting Operating Rules for the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, January 7, 1988, as Amended by Order No. R-4314-A-1, January 7, 1988.

Order No. R-4314-A, as amended, rescinds Order No. R-4314, July 1, 1972.

In the Matter of the Hearing Called by the Oil Conservation Division on its Motion to Amend the Special Pool Rules for the Gavilan-Mancos Oil Pool, Rio Arriba County, New Mexico.

> CASE NO. 9226 CASE NO. 9227 Order No. R-4314-A

#### ORDER OF THE DIVISION

BY THE DIVISION: These consolidated cases came on for hearing at 9:00 a.m. on November 19, 1987, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of January, 1988, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of these causes, the parties and the subject matter thereof.
- (2) In Case 9226 the Oil Conservation Division on its own motion seeks to amend the Special Pool Rules for the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, as promulgated by Division Order No. R-4314, to reconsider the well location requirements poolwide, to restate the allowable in the pool to reflect the daily oil allowable for a 160-acre unit in the depth range of this pool to 382 BOPD as promulgated by Division General Rule 505, and to create a

buffer zone in those sections that adjoin the Gavilan-Mancos Oil Pool to the east (Sections 1, 12, 13, 24, 25 and 36, Township 25 North, Range 3 West, Rio Arriba County) with any additional provisions which may be necessary and/or advisable to protect correlative rights along the common boundary of the two pools.

- (3) In Case 9227 the Oil Conservation Division seeks on its own motion to amend the Special Pool Rules for the Gavilan-Mancos Oil Pool in Rio Arriba County, New Mexico, as promulgated by Division Order No. R-7407, as amended, to create a buffer zone utilizing those existing proration units in Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31, and 32, Township 25 North, Range 2 West, that adjoin the West Lindrith Gallup-Dakota Oil Pool with any additional provisions which may be necessary and/or advisable to protect correlative rights along the common boundary of the two pools.
- (4) On June 27, 1987, by Order R-8188-A, the Commission formed the Northeast Ojito Gallup-Dakota Oil Pool out of the Ojito Gallup-Dakota Oil Pool so that the southern boundary of the Northeast Ojito Gallup-Dakota Oil Pool was contiguous with part of the northern boundary of the Ojito Gallup-Dakota Oil Pool.
- (5) By Order R-8544, entered on November 19, 1987, the Commission in Case 9228 abolished the Ojito Gallup-Dakota Oil Pool which had been spaced on 40-acre statewide spacing and proration units and extended the West Lindrith Gallup-Dakota Oil Pool which is spaced on 160-acre spacing and proration units and now adjoins the Northeast Ojito Gallup-Dakota Oil Pool.
- (6) As a result of the entry of Order R-8544, the West Lindrith Gallup-Dakota Oil Pool was expanded so that its eastern boundary became contiguous with the western boundary of the Gavilan-Mancos Oil Pool which has special pool rules, including restricted allowables, 640-acre spacing and well locations no closer than 790 feet to the outer boundary of a spacing and proration unit.
- (7) Geologic testimony and evidence indicate that while the Mancos formation in the western portion of the Gavilan-Mancos Oil Pool is in fact the same common source of supply as the Gallup formation in the West Lindrith and Northeast Ojito Pools, the quality and intensity of the fracture system in the Gavilan-Mancos Oil Pool diminishes to the west indicating that production in West Lindrith Pool may be less enhanced by natural fracturing.
- (8) The engineering evidence indicated producing characteristics between typical wells in each pool are such that differences in allowables for wells in the respective pools will not cause violation of correlative rights.
- (9) Present data is insufficient to determine if future wells drilled in the West Lindrith boundary area will be capable of draining any portion of the Gavilan-Mancos Oil Pool.
- (10) The 160-acre gas limit for West Lindrith covers both Gallup (Mancos) and Dakota production and is 764 MCF (4.775 MCF/per acre) per day while the 640-acre gas limit for Gavilan, which covers Mancos only, is 480 MCF (0.75 MCF per acre) per day creating a difference in gas limits between the two pools of 2576 MCF (4.025 MCF per acre) per day per 640-acre tract.
- (11) The testimony indicated there are no wells currently producing in the West Lindrith Pool boundary area that are capable of producing a 160-acre gas limit, however the area is sparsely developed at this time.
- (12) Among the issues to be considered by the Commission was the creation of a buffer zone between the two pools and the adoption of a buffer gas allowable for those spacing units in each pool within approximately one-half mile of the common boundary.

#### (WEST LINDRITH GALLUP-DAKOTA OIL POOL) - Cont'd.)

- (13) Average production per well in both West Lindrith and Gavilan Pools are well below the top allowable rate but individual well production varies greatly and the area of the common boundary is still under development.
- (14) At least one well in the proposed Gavilan Mancos Buffer Zone area is capable of producing in excess of the current top allowable and an increased allowable in the Gavilan boundary area may result in a violation of correlative rights within the Gavilan-Mancos Oil Pool.
- (15) Although the Dakota formation is produced in conjunction with the Gallup formation throughout the West Lindrith Pool and contributes significant production in part of the West Lindrith Pool, testing to date of the Dakota formation in the boundary area area of both pools indicates that the Dakota formation in the boundary area is of marginal productivity and therefore the Gallup section provides the majority of oil and gas production.
- (16) The difference in gas limits between West Lindrith Pool and Gavilan-Mancos Pool currently has no adverse effect on correlative rights across the common pool boundary because there are no wells in the West Lindrith boundary area that are capable of producing the gas limit rate; however, the potential for disparate withdrawals exists for future wells.
- (17) The evidence shows that no adjustments to allowables is necessary at this time but provisions should be made for timely adjustments in allowables should future development so warrant.
- (18) Because of the fact that the source of supply in the Gallup (Mancos) formation is common between West Lindrith, Northeast Ojito and Gavilan and there is a large disparity in per-acre allowables between Gavilan on the one hand and West Lindrith and Northeast Ojito on the other hand, and further because the location requirements for wells in West Lindrith differs from that in both Gavilan and Northeast Ojito, and in fact all other 160-acre spaced pools in this area, it is necessary, in order to prevent waste and protect correlative rights, to formulate special rules for any West Lindrith well to be drilled within a one-half mile pool boundary area which rules should include the following:
- (a) That no well completed or recompleted in the West Lindrith Pool shall be drilled closer than 790 feet to the pool boundary unless there is a direct producing offset well located closer than 790 feet.
- (b) Should any West Lindrith well in the one-half mile buffer area adjacent to Gavilan be capable of producing at per-acre rates comparable to Gavilan Mancos top allowable wells, the production from said well shall be presumed to be from the Gallup interval unless the operator of said well performs testing to establish the relative contributions of the Gallup and Dakota intervals. Should the district supervisor find that producing rates from the Gallup interval in said well will adversely affect correlative rights across the common pool boundary, or cause waste, the Division may establish a reduced allowable in said well to protect correlative rights or prevent waste until the Division, after notice and hearing on the earliest docket date, acts to establish an appropriate allowable for the well or for all wells in the one-half mile buffer area. Such reduced allowable shall be no less than the average per acre gas limit for the two pools, currently ½ (4.775 + 0.75) = 2.7625 MCFPD per acre.

- (19) Rule 6 of the special pool rules for the West Lindrith Gallup-Dakota Oil Pool should be restated to assign the depth bracket allowable at 382 barrels of oil to a standard 160-acre proration unit in accordance with current General Rule 505.
- (20) The application in Case 9227 should be dismissed without prejudice.

#### IT IS THEREFORE ORDERED THAT:

- (1) The application in Case 9227 is dismissed without prejudice.
- (2) (As Amended by Order No. R-4314-A-1, January 7, 1988) "Effective January 1, 1988, Order No. R-4314, dated May 31, 1972 is hereby rescinded and the Special Rules and Regulations for the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, are hereby promulgated, to read in their entirety, as follows:"

# SPECIAL RULES FOR THE WEST LINDRITH GALLUP-DAKOTA OIL POOL

- RULE 1. Each well completed or recompleted in the West Lindrith Gallup-Dakota Oil Pool or within one mile thereof and not closer to another Gallup-Dakota pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules hereinafter set forth.
- 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 or 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 offset 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 330 feet to the outer boundary of the proration unit or to any governmental quarter-quarter section line nor nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool; provided however,
- a. A boundary area is hereby created consisting of a band one-half mile wide extending from the pool boundary to a line one-half mile inside said boundary.
- b. No well completed or recompleted in said boundary area shall be drilled closer than 790 feet to the pool boundary nor closer than 130 feet to the interior quarter-quarter section line unless a direct offset producing well is located closer than 790 feet to the pool boundary in which case the West Lindrith Well could be drilled as close to the boundary as the offset well.

#### (WEST LINDRITH GALLUP-DAKOTA OIL POOL) - Cont'd.)

- c. No well completed or recompleted in the Gallup-Dakota interval outside but within one mile of the West Lindrith pool boundary and not within a mile of another pool containing the same, or part of the same, vertical interval shall be drilled closer than 790 feet to the quarter-section line nor closer than 130 feet to the interior quarter-quarter section line.
- d. Any well which on the effective date of this order is completed in or drilling to the West Lindrith Gallup-Dakota Oil Pool at an unorthodox location under these rules is hereby granted an exception thereto.
- 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 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 depth bracket allowable of 382 barrels of oil per day 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. The limiting gas-oil ratio for the West Lindrith Gallup-Dakota Oil Pool shall be 2000 cubic feet of gas per barrel of oil produced.
- RULE 8. a. In the event any West Lindrith well located in the boundary area described in rule 4(a) above offsets the Gavilan-Mancos Pool, the production from said well shall be presumed to be entirely from the Gallup (Mancos) interval unless the operator of said well demonstrates through testing to the satisfaction of the Division's district supervisor the proportional contributions of the Gallup and Dakota intervals.
- b. In the event a well drilled in the boundary area offsetting the Gavilan-Mancos Pool indicates the capacity to produce at rates greater on a per-acre basis than the top allowable rates of a Gavilan-Mancos well the Division is hereby authorized to reduce the gas limit of said well to a rate which will protect correlative rights or prevent waste which limit shall continue in effect until the Division, after notice and hearing at the earliest hearing docket thereafter, enters an order establishing an appropriate allowable for said well or for all wells in said portion of the boundary area. Said interim gas limit shall not be less than the average of the per-acre gas limits of the Gavilan Mancos and West Lindrith Pools which currently is ½ (4.775 + 0.75) = 2.7625 MCFPD per acre.

#### IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the West Lindrith Gallup-Dakota Oil Pool are hereby approved; the operator of any well having an unorthodox location shall notify the Aztec District Office of the Division in writing of the name and location of the well on or before February 1, 1988.

(4) Pursuant to Section 70-2-18 contained in Chapter 271, Laws of 1969, existing wells in the West Lindrith Gallup-Dakota 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 thereof.

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 West Lindrith Gallup-Dakota Oil Pool shall receive no more than one-fourth of a standard allowable for the pool.

(5) 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.

AMANDA-ABO-GAS POOL
DRINKARD POOL
WANTZ-ABO POOL
SOUTH BRUNSON DRINKARD-ABO POOL
(Formerly South Brunson-Abo Pool)
Lea County, New Mexico

Order No. R-8593, Abolishing the Amanda-Abo Pool, Redefining the Limits of Certain Pools and Adopting Operating Rules for the South Brunson Drinkard-Abo Pool, Lea County, New Mexico, February 1, 1988, as Amended by Order No. R-8593-B, January 27, 1988.

The Application of the Oil Conservation Division upon its Own Motion for an Order Abolishing the Amanda-Abo Gas Pool, Contracting the Horizontal Limits of the Drinkard and Wantz-Abo Pools, Extending Both the Horizontal and Vertical Limits of the South Brunson-Abo Pool, (To Be Redesignated the South Brunson Drinkard-Abo Pool), and Re-establishing the Vertical Limits of the Drinkard and Wantz-Abo Pools, all in Lea County, New Mexico.

CASE NO. 9237 Order No. R-8593

#### ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on October 21, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of January, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and having been fully advised in the premises,

# 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. 9661 Order No. R-8935

APPLICATION OF HIXON DEVELOPMENT COMPANY FOR AN UNORTHODOX OIL WELL LOCATION AND SIMULTANEOUS DEDICATION, RIO ARRIBA COUNTY, NEW MEXICO.

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 26, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW. on this <u>l6th</u> day of May, 1989, 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.
- (2) The applicant, Hixon Development Company, seeks approval for an unorthodox oil well location for its Missy Well No. 3 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 35, Township 25 North, Range 3 West, NMPM. West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, the SW/4 of said Section 35, forming a standard 160-acre proration unit for said pool, to be simultaneously dedicated to the abovedescribed well and to the existing Missy Well No. 2 located 1650 feet from the South and West lines (Unit K) of said Section 35.
- (3) By Order No. R-4314-A, dated January 7, 1988, the Division promulgated Special Rules and Regulations for the

-2-Case No. 9661 Order No. R-8935

West Lindrith Gallup-Dakota Oil Pool, which include, among other things, a rule creating a one-half mile buffer zone extending from the pool boundary to a line one-half mile inside the pool boundary and a provision which requires that all wells located in said buffer zone be located no closer than 790 feet to the pool boundary nor closer than 130 feet to the interior quarter-quarter section line.

- (4) The subject well, which was drilled during March and April, 1989, is in fact located within the buffer zone as described above and is therefore subject to the well location requirements as stated.
- (5) Mobil Producing Texas and New Mexico, Inc. (Mobil), the operator of Section 1, Township 24 North, Range 3 West, NMPM, being the affected offset acreage to the south which is currently undeveloped, appeared at the hearing in opposition to the application and in support of imposing a production penalty against the subject well.
- (6) Examination of the chronology of events leading to the drilling of the subject well, presented as evidence in this case, reveals the following:
  - A. March 17, 1989: The applicant, unaware that the subject well's location is non-standard, submitted Forms C-101 (Application to Drill) and C-102 (Acreage Dedication Plat) to the Aztec district office of the Division, and received timely approval.
  - B. March 30, 1989: Applicant commenced drilling operations at approximately 1:00 P.M. At approximately 4:20 P.M., the supervisor of the Aztec district office of the Division informed the applicant that the well location is non-standard. Applicant chose to continue drilling.
- (7) The evidence indicates that the subject well has been drilled to a total depth of approximately 8,030 feet and is currently being tested. The evidence further shows that, by all indications, the subject well should encounter production in the range of 200-300 barrels of oil per day.
- (8) The geologic evidence presented further indicates that the reservoir likely extends onto Mobil's acreage in said Section 1.

-3-Case No. 9661 Order No. R-8935

- (9) Under different circumstances, the Division, which may have been partially responsible for the well being located at an unorthodox location, may have been able to provide some relief to the applicant; however, under its statutory obligation to protect correlative rights, the Division has no alternative than to approve the unorthodox location request subject to a production penalty.
- (10) Top unit allowable for the West Lindrith Gallup-Dakota Oil Pool is 382 barrels of oil per day. The evidence indicates that the applicant's Missy Well No. 2, which is located at a standard location and which will share the allowable with the subject well, has an average daily producing rate from January-March, 1989, of approximately 305 barrels of oil per day.
- (11) Mobil has proposed that the allowable for the subject well be established at 80 barrels per day, said allowable determined by multiplying F1 x F2 where:
  - Fl = Top unit allowable divided by the number of wells or 382/2
  - F2 = Subject well's distance from the South line divided by legal location distance or 330 feet/790 feet.
- (12) The allowable for the subject well proposed by Mobil is fair and reasonable and should be adopted in this case.
- (13) The subject proration unit should be assigned a top unit allowable of 382 barrels of oil per day and may be produced jointly by both Wells No. 2 and No. 3; however, at no time should the production from Well No. 3 exceed 80 barrels of oil per day.
- (14) Approval of the proposed simultaneous dedication and unorthodox well location subject to the reduced allowable as described above will allow the applicant the opportunity to produce its just and equitable share of the production in the subject pool, will prevent the drilling of unnecessary wells, and will protect correlative rights.
- (15) The applicant should be allowed to reopen this case and petition for an increased allowable for the subject well if it can be shown that continued development has proven

-4-Case No. 9661 Order No. R-8935

said Section 1 to be non-productive or that Mobil's interests are not being adversely affected.

#### IT IS THEREFORE ORDERED THAT:

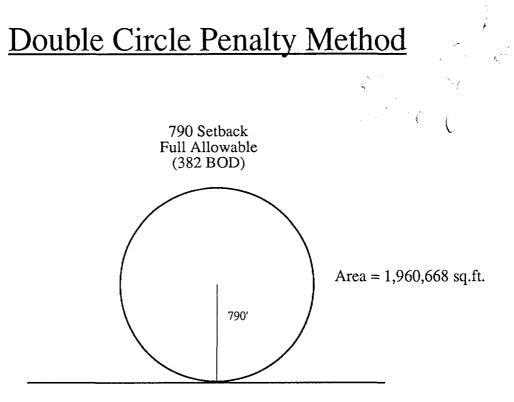
- (1) The applicant, Hixon Development Company, is hereby given approval for an unorthodox oil well location for its Missy Well No. 3 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 35, Township 25 North, Range 3 West, NMPM, West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico; the SW/4 of said Section 35, a standard 160-acre proration unit for said pool, shall be simultaneously dedicated to the above-described well and to the existing Missy Well No. 2 located 1650 feet from the South and West lines (Unit K) of said Section 35.
- (2) The standard proration unit, the SW/4 of said Section 35, shall receive a top unit allowable of 382 barrels of oil per day; however, Well No. 3 shall at no time produce more than 80 barrels per day and any production in excess of that rate shall be made up by reduced production from Well No. 3.
- (3) The applicant shall be allowed to reopen this case and petition for an increased allowable for the Missy Well No. 3 if it can be shown that continued development has proven Section 1, Township 24 North, Range 3 West, NMPM. to be non-productive or that Mobil's interests are not being adversely affected.
- (4) 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.

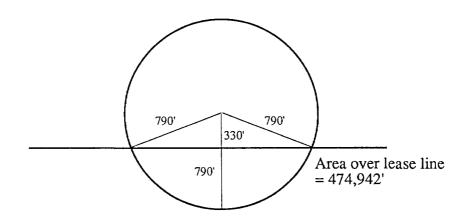
STATE OF NEW MEXICO
OIL CONSERVATION (DIVISION

WILLIAM J. LEMAY

Director



330 Setback Reduced Allowable (290 BOD)



Proposed Allowable =

$$(1 - \frac{474,492}{1,960,668})$$
 (382)  
= 290 BOD

### Ratio Method

<u>Actual Location Setback</u> 330' Desired Location Setback 790'

= 0.42

Depth Bracket Allowable 382 BOD

Ratio Method Solution =  $\frac{X \ 0.42}{160}$  BOD

Using the Ratio Method Hixon Development would be allowed to produce 160 BOD from the Missy No. 3 and make up whatever portion of the full allowable was possible from the Missy No. 2.

#### (G-OIL PRORATION AND ALLOCATION - Cont'd.)

(f) (As Adopted by Order No. R-4348, September 1, 1972, and Amended by Order No. R-8795, January 1, 1989.) A periodic tabulation of all supplements to the current proration schedule shall be made and distributed by the Division.

shall be made and distributed by the Division.

(g) (As Adopted by Order No. R-4348, September 1, 1972, and Amended by Order No. R-8795, January 1, 1989.) The provisions of Rule 104(h) et seq. shall be adhered to in fixing top unit allowables.

(h) (As Adopted by Order No. R-4348, September 1, 1972, and Amended by Order No. R-8795, January 1, 1989.) In the event it becomes necessary for any transporter of crude petroleum to resort to resort a realing negation in New Mayico such transporters hall as soon to pipeline proration in New Mexico, such transporter shall, as soon as possible and not later than 24 hours after the effective date thereof, notify the Division of its decision to so prorate; upon receipt of such notice from such transporter, the Division may take such emergency action, as may be deemed proper, and/or upon its own motion, after notice, hold a hearing for the purpose of considering any action within its authority, to preserve and protect correlative

rights.
In case of pipeline proration any operator affected thereby has the right to make application to the Division for authorization to have any shortage or underproduction resulting therefrom included in subsequent proration schedules. Such applications shall be made upon a form hereby authorized to be prescribed by the Division and filed therewith within thirty days after the close of the first proration period in which such pipeline proration shortage occurred, and such authorization shall be limited in any event to wells capable of producing the daily top unit allowable for such

period. In approving any such application the Division shall determine the period of time during which such shortage shall be made up without injury to the well or pool, and shall include the same in the egularly approved proration schedules following the conclusion of

pipeline proration.

- RULE 504. AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING, OR TESTING AN OIL WELL (As Amended by Order No. R-98-A, July 1, 1952; Order No. R-2761, January 1, 1965.)
- In the event an operator does not have sufficient lease storage to hold oil produced from a well during the process of ts drilling, completing, recompleting, or testing, the operator of said well shall be permitted to produce and sell from said well an amount of oil as may be necessary to drill, complete, recomplete, or test said well; provided however, that the operator of said well shall file with the Division a written application stating the circumstances at said well and setting forth therein the estimated amount of oil to be produced during the aforementioned process of operations, and provided further that said application is approved by the Division. Oil produced during the process of drilling, completion or recompletion, or testing a well shall be charged against the allowable production of said well.

(b) (As Amended by Order No. R-2761, January 1, 1965.) do well shall be placed on the proration schedule until Form

C-104 has been filed with and approved by the Division.

- DEPTH BRACKET ALLOWABLES (As Amended by Order No. R-98-A, July 1, 1952; Order No. R-160, June 12, 1952; Order No. R-1756, August 23, 1960; Revised by O.C.C. June 1, 1968; and Amended by Order No. R-3933, June 1, 1970; and ULE 505. Order No. R-4348, September 1, 1972.)
- (a) (As Adopted in Order No. R-4348, September 1, 1972.) Subject to the market demand percentage factor determined pursuant to the provisions of Rule 503, the daily oil allowable or each oil pool in the state shall be equal to the appropriate epth bracket allowable below. The depth of the casing shoe r the top perforation in the casing, whichever is higher, in the first well completed in the pool shall determine the depth classification for the pool. Daily oil allowables for each of the everal ranges of depth and spacing patterns shall be as follows:

| POOL<br>DEPTH RA |            | DEPTH BRACKET ALLOWABLE |           |           |  |
|------------------|------------|-------------------------|-----------|-----------|--|
|                  |            | 40 Acres                | 80 Acres  | 160 Acres |  |
|                  | 4,999 feet | 80 bbls.                | 160 bbls. |           |  |
| 5,000 to         | 5,999 feet | 107_bbls.               | 187 bbls. | 347 bbls. |  |
| 6,000 to         | 6,999 feet | 142 bbls.               | 222 bbls. | 382 bbls. |  |
| 7,000 to         | 7,999 feet | 187 bbls.               | 267 bbls. | 427 bbls. |  |
| 8,000 to         | 8,999 feet | 230 bbls.               | 310 bbls. | 470 bbls. |  |
| 9,000 to         | 9,999 feet | 275 bbls.               | 355 bbls. | 515 bbls. |  |
| 10,000 to 1      | 0,999 feet | 320 bbls.               | 400 bbls. | 560 bbls. |  |
| 11,000 to 1      | 1,999 feet | 365 bbls.               | 445 bbls. | 605 bbls. |  |
| 12,000 to 1      | 2,999 feet | 410 bbls.               | 490 bbls. | 650 bbls. |  |
| 13,000 to 1      | 3.999 feet | 455 bbls.               | 535 bbls. | 695 bbls. |  |
| 14,000 to 1      | 4,999 feet | 500 bbls.               | 580 bbls. | 740 bbls. |  |
| 15,000 to 1      |            | 545 bbls.               | 625 bbls. | 785 bbls. |  |
| 16,000 to 1      |            | 590 bbls.               | 670 bbls. | 830 bbls. |  |
| 17,000 to 1      |            | 635 bbls.               | 715 bbls. | 875 bbls. |  |

- (As Adopted in Order No. R-4348, September 1, 1972.) The 40-acre depth bracket allowables shall apply to all undesignated wells not governed by special pool rules and to all pools developed on the normal 40-acre statewide spacing unit.
- (As Adopted in Order No. R-4348, September 1, 1972.) The 80-acre and 160-acre depth bracket allowables shall apply to wells governed by applicable special pool rules promulgated by the Division as an exception to the normal 40-acre statewide spacing unit.
- (As Adopted in Order No. R-4348, September 1, 1972.) The Division may, where the same is deemed advisable, assign to a given pool a special depth bracket allowable at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. Such special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing.

In assigning a lesser than regular depth bracket allowable, the Division may consider, among other pertinent factors, reservoir damage, casinghead gas production and disposition, water production and disposition, transportation facilities, the prevention of surface or underground waste, and the protection of correlative rights.

Assignment of a greater than regular depth bracket allowable shall be made only after sufficient reservoir information is available to ensure that said allowable can be produced without damage to the reservoir and without causing surface or underground waste. The Division shall also consider the availability of crude oil transportation and marketing facilities, casinghead gas transportation, processing, and marketing facilities, water disposal facilities, the protection of correlative rights, and other pertinent factors.

RULE 506. GAS-OIL RATIO LIMITATION (As Amended by Order No. R-98-A, July 1, 1952, Revised by O.C.C. June 1, 1968, Amended by Order No. R-4159-A, November 1, 1971, and Order No. R-8795, January 1, 1989.)

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Division has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

Submit 5 Copies
Appropriate District Office
DISTRICT I P.O. Box 1980, Hobbs, NM 88240

#### State of New Mexico Energy, Minerals and Natural Resources Department

Form C-104 Revised 1-1-89 See Instructions at Bottom of Page

# OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

| DISTRICT III    |             |    |       |
|-----------------|-------------|----|-------|
| 1000 Rio Brazos | Rd., Aricc, | NM | 87410 |

DISTRICT II P.O. Drawer DD, Anesia, NM 88210

REQUEST FOR ALLOWABLE AND AUTHORIZATION

| I.   | TO                      | TRANSP                    | ORTO                       | IL AND NA                                    | TURAL G                     |                                   |                                       |                                       |  |
|--|-------------------------|---------------------------|----------------------------|--|-----------------------------|-----------------------------------|---------------------------------------|---------------------------------------|--|
| Operator   |                         |                           |                            | Well A                                       |                             |                                   |                                       |                                       |  |
| Hixon Development Company Address  |                         |                           |                            |  | 30-039-24373                |                                   |                                       |                                       |  |
| P.O. Box 2810, Farmi   | ington, New             | w Mexico                  | 8749                       | 9  |                             |                                   |                                       |                                       |  |
| Reason(s) for Filing (Check proper box)  |                         |                           |                            | Ott  | nes (Please exp             | lain)                             |                                       |                                       |  |
| New Well   |                         | ange in Transp            | _                          |  |                             |                                   |                                       |                                       |  |
| Recompletion   | Oil<br>Casinghead Ga    | Dry G                     | _                          |  |                             |                                   |                                       |                                       |  |
| If change of operator give name  | Casinghead Ga           | as Conoc                  | 115212                     |  |                             |                                   |                                       |                                       |  |
| and address of previous operator   |                         |                           |                            |  |                             |                                   |                                       | <u>-</u>                              | <del></del>                              |
| II. DESCRIPTION OF WELL  | AND LEASE               | 3                         |                            |  |                             |                                   |                                       |                                       |  |
| Lease Name Well No. Pool Name, Includi   |                         |                           |                            |  | d of Lease Lease No.        |                                   | ease No.                              |                                       |  |
| Missy  |                         | 3 W.                      | Lindri                     | th Gallur                                    | )/Dakota                    | Jour Fe                           | Federal or Fed<br>E                   |                                       |  |
| Unit Letter N  | :330                    | Fect F                    | rom The                    | South Lin                                    | c and                       | ): Fo                             | et From The                           | West                                  | Line                                     |
| Section 35. Townst   | hip 25N                 | Range                     | 3W                         | ,N   | мрм,                        | Rio Arr                           | iba                                   |                                       | County                                   |
|  |                         |                           |                            |  |                             |                                   |                                       |                                       |  |
| III. DESIGNATION OF TRA  |                         |                           | D NATU                     |  |                             | hist -                            |                                       |                                       |  |
| Name of Authorized Transporter of Oil  | or (                    | Condensate                |                            | j.   | ve address to w             |                                   |                                       |                                       | ent)                                     |
| Giant Refining Name of Authorized Transporter of Casi  | nghead Gas              | or Dry                    | Gas                        |  | 256. Fai<br>ve address to w |                                   |                                       |                                       | ent)                                     |
| Trans of Financial Control of Case   | ighted Cas              |                           | ت                          | Nones (On                                    | E DUID ESS 10 W             | пист арргочес                     | copy of this jo                       | AM 12 10 0E 31                        | ini)                                     |
| If well produces oil or liquids, prive location of tanks.  | Unit Sec                | Twp.<br>25N               | Rgc<br>3W                  | le gae actuali<br>No                         | y connected?                | When                              | ?                                     |                                       | •  |
| If this production is commingled with that   | from any other le       | ase or pool, giv          | ve comming                 | ling order num                               | ber:                        |                                   |                                       |                                       |  |
| IV. COMPLETION DATA  |                         |                           |                            |  |                             |                                   |                                       |                                       |  |
| Designate Type of Completion   | - (X)                   | Х                         | Gas Well                   | New Well                                     | Workover                    | Deepen                            | Plug Back                             | Same Res'v                            | Diff Res'v                               |
| Date Spudded   | Date Compl. Re          | -                         |                            | Total Depth                                  |                             |                                   | P.B.T.D.                              |                                       |  |
| 3-29-89 Elevations (DF, RKB, RT, GR, etc.)   | 5-1-8<br>Name of Produc |                           |                            | 8030 t<br>Top Oil/Gas Pay                    |                             | 7989.67 <sup>1</sup> Tubing Depth |                                       |                                       |  |
| 7038' GLE  | Gallup/D                |                           |                            | 7808'  |                             | 7807'                             |                                       |                                       |  |
| Perforations   | T Galiabil              | aroca                     |                            | 1  | 00                          |                                   | Depth Casing                          |                                       |  |
| 7808' - 7832'  |                         |                           |                            |  |                             |                                   |                                       |                                       |  |
|  | <del></del>             |                           |                            | CEMENTI                                      |                             | D                                 | ·                                     |                                       |  |
| HOLE SIZE  |                         | & TUBING S                | SIZE                       | DEPTH SET                                    |                             | SACKS CEMENT                      |                                       | ENT                                   |  |
| 12-1/4"<br>8-3/4"  | 9-5/<br>5-1/            |                           |                            | 8034   |                             |                                   | 160 sk<br>1085 sk                     |                                       |  |
| 8-3/4  | 2-3/                    |                           |                            | 7807   |                             | <del></del>                       | 1003 SK                               | S                                     |  |
|  |                         | <u> </u>                  |                            | ,,,,,,,                                      |                             |                                   |                                       |                                       |  |
| V. TEST DATA AND REQUE   |                         |                           |                            |  |                             |                                   |                                       | · · · · · · · · · · · · · · · · · · · |  |
| OIL WELL (Test must be after r   |                         | lume of load o            | il and must                |  |                             |                                   |                                       | r full 24 hour                        | 5.)                                      |
| Date First New Oil Run To Tank   | Date of Test            | 00                        |                            |  | thod (Flow, pw              | mp, gas iyi, ei                   | c.)                                   |                                       |  |
| 5-1-89<br>Length of Test   | 5-11-                   | 09                        |                            | Casing Pressu                                | wing<br>m                   |                                   | Choke Size                            |                                       |  |
| 24 hours   | 100 p                   | sig                       |                            |  | 800 psi                     | ø                                 | 3/4                                   | 11                                    |  |
| Actual Prod. During Test   | Oil - Bbls.             | ~                         |                            | Water - Bbis.                                | 000 031                     | <b>5</b>                          | Gas- MC                               |                                       | P # WAT                                  |
|  | 347                     |                           |                            | 4 (L   | oad flui                    | d)                                | 423                                   |                                       |  |
| GAS WELL   |                         |                           |                            |  |                             |                                   | _                                     |                                       | en conserva                              |
| Actual Prod. Test - MCF/D  | Length of Test          |                           |                            | Bols. Condens                                | ate/MMCF                    |                                   | Gravity of Co                         | ndensate                              | क डिल्टी                                 |
| Cesting Method (pitot, back pr.)  Tubing Pressure (Shut-in)  |                         | Casing Pressure (Shut-in) |                            | · Choke Size                                 |                             |                                   |                                       |                                       |  |
| count tatemen (buot, back br.)   | Tours Tresuit           | /~·······/                |                            | Total I total                                | (with-111)                  | ·                                 |                                       |                                       | 11 8 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 |
| AL OBERALOR CERTIFIC   | ATE OF CC               | MPTIAN                    | CE                         | 1  |                             |                                   |                                       |                                       |  |
| VI. OPERATOR CERTIFICATE OF COMPLIANCE  1 hereby certify that the rules and regulations of the Oil Conscrivation   |                         |                           | OIL CONSERVATION DIVISION  |  |                             |                                   |                                       |                                       |  |
| Division have been complied with and that the information given above  |                         |                           | Date Approved MAY 0 1 1989 |  |                             |                                   |                                       |                                       |  |
| is true and complete to the best of my   | knowledge and bel       | ici.                      |                            | Date   | Approved                    | dt                                | 11 11                                 | ।उठ <i>छ</i>                          | <del></del>                              |
| $\lambda_1 \cup \lambda_1 \wedge \lambda_1 $ | 0                       | o l                       |                            |  | \                           | $\mathcal{L}$                     | /                                     |                                       |  |
| Signature  |                         |                           | ∥ By                       | <u>)                                    </u> |                             |                                   |                                       |                                       |  |
| Aldrich L. Kuchera President/CEO   |                         |                           |                            | . SUPERVISOR DISTRICT W                      |                             |                                   |                                       |                                       |  |
| Printed Name May 11, 1989  | (505                    | Title<br>) 326-33         | 25                         | Title_                                       |                             |                                   | · · · · · · · · · · · · · · · · · · · |                                       |  |
| Date   |                         | Telephone No              |                            |  |                             |                                   |                                       |                                       |  |

INSTRUCTIONS: This form is to be filed in compliance with Rule 1104

- 1) Request for allowable for newly drilled or deepened well must be accompanied by tabulation of deviation tests taken in accordance with Rule 111.
- 2) All sections of this form must be filled out for allowable on new and recompleted wells.
- 3) Fill out only Sections I, II, III, and VI for changes of operator, well name or number, transporter, or other such changes.

4) Separate Form C-104 must be filed for each pool in multiply completed wells.

#### OIL CONSERVATION DIVISION

| AZTEC           |  |  |  |  |  |  |
|-----------------|--|--|--|--|--|--|
|                 |  |  |  |  |  |  |
| DISTRICT ACCIDE |  |  |  |  |  |  |

Jan. thru June, 1989 NO. 3020/R

## SUPPLEMENT TO THE OIL PRORATION SCHEDULE

| DATE       | June 2, 1989  |    |
|------------|---|----|
| PURPOSE    | ALLOWABLE REVISION  |    |
| N-35-25N-3 | May 1 1989, the Hixon Development Co., Missy #2 & #3, K<br>3W, Lindrith Gallup Dakota, West Pool, Rio Arriba County a:<br>d to produce and are classified non-marginal in the o:<br>schedule. | re |
|            | for the wells is 382 BOPD. n for Missy #3 not to exceed 80 BOPD.  |    |
|            |   |    |
|            |   |    |
| C-116 DUE  | June 10, 1989   |    |
| New Well M | Missy #3  |    |
| Type Land  | P   |    |
| Producing  | Method F  |    |
| IP 347 BOP | PD .  |    |
| 160 Acres  |   |    |
| Top Perfor | cation 7808 OIL CONSERVATION DIVISION   |    |
| Oil Trans. | GR Alice Dugger   |    |
|            | JW DISTRICT SUPERVISOR  |    |