



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

November 28, 1989

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

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9751, 9752, and
ORDER NO. 9753
R-9061

Applicant:

Quinoco Petroleum, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD X

Other William F. Carr

QUINOCO PETROLEUM, INC.

September 14, 1989

RECEIVED

Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

SEP 15 1989

OIL CONSERVATION DIV.
SANTA FE

Attn: Michael E. Stogner, Examiner

Re: Application for Non-Standard
Gas Proration Units -
Cases 9751, 9752 & 9753

Dear Mr. Stogner:

This letter will hopefully satisfy any concerns that you may have regarding Quinoco's applications for three non-standard gas proration units for the Fruitland Coal Formation (Cases 9751, 9752 and 9753).

I have spoken with both Frank Chavez and Ernie Busch of the OCD's Aztec District office. I explained our applications to them and also provided them with the following information.

The Fruitland Coal was perforated by a previous operator in four of our existing wells as follows:

State #2,	SE/4 SW/4 Section 2,	T31N - R7W
Federal #3,	SW/4 NE/4 Section 10,	T31N - R7W
Yager #3,	SE/4 SW/4 Section 3,	T31N - R7W
Yager #4,	SW/4 NW/4 Section 10,	T31N - R7W

Production from the Fruitland Coal in the State #2 is commingled in the wellbore with production from the Pictured Cliffs Formation. The other three wells are Fruitland Coal/Pictured Cliffs dual completions (i.e. - a separate tubing string for each formation). No gas has been produced from the Fruitland Coal in any of the dually-completed wells since Order R-8768 became effective (11/1/88) although Quinoco incorrectly reported Fruitland Coal gas production in May through July of this year for the Federal #3.

Mr. Busch stated that the Aztec District office has no

Oil Conservation Division
September 14, 1989
Page 2

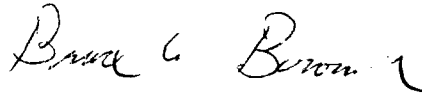
objection to our applications provided that (1) Quinoco agrees to cement-squeeze the Fruitland Coal perforations in the State #2 and (2) Quinoco agrees not to produce Fruitland Coal gas from the dually-completed wells and to maintain the mechanical integrity of these wells until the Fruitland Coal perforations in these wells are cement-squeezed. Quinoco is certainly ready and willing to abide by these conditions.

Another concern that you expressed at the hearing was the status of the acreage in Section 3 that is excluded from our non-standard proration units (northern and western edges of Section 3 - see attached map). We have provided our attorney Tom Kellahin with information that shows this acreage to be a part of an existing Mesa Verde Formation unit that extends into Section 4. Mr. Kellahin is planning on meeting with you to explain this situation in more detail.

Please let me or Tom Kellahin know if there is any additional information that we can provide to facilitate your consideration of these applications.

Very truly yours,

QUINOCO PETROLEUM, INC.



Bruce A. Bowman
Senior Reservoir Engineer
Western District

BAB\#27.bb\ek
cc: Frank Chavez / Ernie Busch
1000 Rio Brazos Rd.
Aztec, NM 87410

Tom Kellahin
P. O. Box 2265
Santa Fe, NM 87504-2265



KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

Fax: 505/982-2047

September 14, 1989

RECEIVED

SEP 18 1989

OIL CONSERVATION DIV.
SANTA FE

Mr. Michael E. Stogner
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

Re: Application of Quinoco Petroleum, Inc.
for non-standard Basin Fruitland Coal Gas
Units: NOMCD Cases 9751, 9752, 9753

HAND-DELIVERED

Dear Mr. Stogner:

At the conclusion of the hearing held on September 6, 1989, in the referenced case, we requested and you granted us additional time to submit to you additional information as follows:

1. That the Aztec District Office approves of Quinoco's proposal for the existing Basin Fruitland Coal Gas wells on each of the three non-standard units; and,
2. Confirmation that the Division has previously approved Blanco Mesaverde and Basin Dakota non-standard proration units which will include the balance of Section 3 which Quinoco has not included in its proposed unit for case 9753.

Mr. Bruce Bowman of Quinoco will be forwarding to you by separate letter confirmation of his agreement with the Aztec office of the OCD concerning the existing wells on the spacing unit.

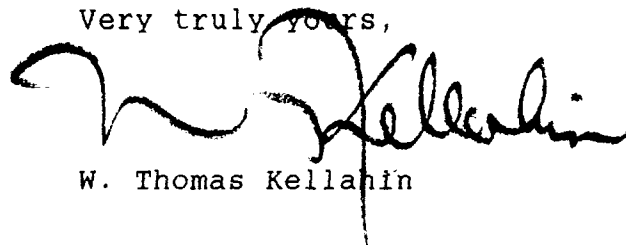
KELLAHIN, KELLAHIN and AUBREY

September 14, 1989
Mr. Michael Stogner
Page Two

Please find enclosed a copy of Order R-5364 dated February 8, 1977, which shows the prior method of resolving the irregular governmental section problem for the balance of the acreage in Section 3.

Please call me if you need anything further in this case.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin'. The signature is fluid and cursive, with a large, stylized 'W' and 'K'.

W. Thomas Kellahin

WTK/lw
Encl.
cc: Kathlene Volk (Quinoco)

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5835
Order No. R-5364

APPLICATION OF PALMER OIL COMPANY
FOR NON-STANDARD PRORATION UNITS
AND UNORTHODOX LOCATIONS, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 2, 1977 at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of February, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Palmer Oil Company, seeks approval of the following non-standard proration units in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico:

- ✓ (a) a 310.48-acre Basin-Dakota unit comprising Lots 5, 6, 7, and 8 and the E/2 SW/4 and SE/4 of Section 2;
- ✓ (b) a 323.39-acre Blanco-Mesaverde and Basin-Dakota unit comprising Lots 5, 6, 7, and 8 and W/2 SW/4 of Section 3 and Lot 5 and the E/2 SE/4 and SW/4 SE/4 of Section 4;
- (c) a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the E/2 SW/4 and S/2 SE/4 of Section 3 and NW/4 of Section 10; and

Case No. 5835
Order No. R-5364

- (d) a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the W/2 SW/4 of Section 2, N/2 SE/4 of Section 3, and NE/4 of Section 10;
- ✓ (e) a 150.48-acre Fruitland and Pictured Cliffs unit comprising Lots, 5, 6, 7, and 8 and the E/2 SW/4 of Section 2;
- ✓ (f) a 175.76-acre Fruitland and Pictured Cliffs unit comprising Lots 5, 6, 7, and 8 and W/2 SW/4 of Section 3;
- (g) a 160-acre Fruitland and Pictured Cliffs unit comprising the W/2 SW/4 of Section 2 and N/2 SE/4 of Section 3;
- (h) a 160-acre Fruitland and Pictured Cliffs unit comprising the E/2 SW/4 and S/2 SE/4 of Section 3; and
- ✓ (i) a 147.63-acre Fruitland and Pictured Cliffs unit comprising Lot 5 and the SW/4 SE/4 and E/2 SE/4 of Section 4.

(3) That the non-standard proration unit described in Finding No. (2) (d) above does not comprise wholly contiguous acreage, and to approve the dedication of non-contiguous lands would be contrary to long-established Commission policy and not in the public interest.

(4) That the aforesaid non-standard proration unit described in Finding No. (2) (d) above should be denied.

(5) That denial of said non-standard proration unit will necessitate a re-alignment of the lands originally proposed to be dedicated to said unit as well as the lands proposed to be dedicated to the non-standard unit described in Finding No. (2) (c) above.

✓ (6) That the following-described non-standard proration units should be approved in lieu of the units described in Findings Nos. (2) (c) and (2) (d) above:

a 320-acre Blanco-Mesaverde and Basin Dakota unit comprising the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10; and

a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the W/2 SE/4 and E/2 SW/4 of Section 3 and the NW/4 of Section 10.

(7) That the re-alignment of the subject lands to form the 320-acre units described in Finding No. (6) above will necessitate the re-alignment of the lands proposed to be dedicated to the Fruitland and Pictured Cliffs proration units described in Findings Nos. (2)(g) and (2)(h) above.

✓(8) That the following-described non-standard proration units should be approved in lieu of the units described in Findings Nos. (2)(g) and (2)(h) above:

a 160-acre Fruitland and Pictured Cliffs unit comprising the W/2 SW/4 of Section 2 and the E/2 SE/4 of Section 3; and

a 160-acre Fruitland and Pictured Cliffs unit comprising the E/2 SW/4 and W/2 SE/4 of Section 3.

(9) That the non-standard proration units described in Findings Nos. (2)(a), (2)(b), (2)(e), (2)(f), and (2)(i) and Findings Nos. (6) and (8) above are in the interest of conservation, will prevent waste, and will not impair correlative rights, and should be approved.

(10) That the above non-standard proration units will be developed by the drilling of certain wells to the Fruitland, Pictured Cliffs, Mesaverde, and Dakota formations, said wells to be located at orthodox and unorthodox locations.

(11) That among said locations will be the following unorthodox locations in Township 31 North, Range 7 West, which will not cause waste nor impair correlative rights, and should be approved:

800 feet from the South line and 1675 feet from the West line of Section 2;

1550 feet from the South line and 800 feet from the East line of Section 3;

800 feet from the South line and 1850 feet from the West line of Section 3;


Case No. 5835
Order No. R-5364

800 feet from the North line and 800 feet from the West line of Section 3; and

800 feet from the South line and 800 feet from the East line of Section 4.

IT IS THEREFORE ORDERED:

(1) That the following non-standard gas proration units in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, are hereby approved:

- (a) a 310.48-acre Basin-Dakota unit comprising Lots 5, 6, 7, and 8 and the E/2 SW/4 and the SE/4 of Section 2;
-  (b) a 323.39-acre Blanco Mesaverde and Basin-Dakota unit comprising Lots 5, 6, 7, and 8 and the W/2 SW/4 of Section 3 and Lot 5 and the E/2 SE/4 and SW/4 SE/4 of Section 4;
- (c) a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10;
- (d) a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the W/2 SE/4 and E/2 SW/4 of Section 3 and the NW/4 of Section 10;
- (e) a 150.48-acre Fruitland and Pictured Cliffs unit comprising Lots 5, 6, 7, and 8 and the E/2 SW/4 of Section 2;
- (f) a 175.76-acre Fruitland and Pictured Cliffs unit comprising Lots 5, 6, 7, and 8 and W/2 SW/4 of Section 3;
- (g) a 160-acre Fruitland and Pictured Cliffs unit comprising the W/2 SW/4 of Section 2 and the E/2 SE/4 of Section 3;
- (h) a 160-acre Fruitland and Pictured Cliffs unit comprising the W/2 SE/4 and E/2 SW/4 of Section 3; and
- (i) a 147.63-acre Fruitland and Pictured Cliffs unit comprising Lot 5 and the SW/4 SE/4 and E/2 SE/4 of Section 4.

Order No. R-5364

(2) That the following unorthodox gas well locations for the Fruitland, Pictured Cliffs, Mesaverde, and Dakota formations in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, are hereby approved:

800 feet from the South line and 1675 feet from the West line of Section 2;

1550 feet from the South line and 800 feet from the East line of Section 3;

800 feet from the South line and 1850 feet from the West line of Section 3;

800 feet from the North line and 800 feet from the West line of Section 3; and

800 feet from the South line and 800 feet from the East line of Section 4.

(3) That the following non-standard gas proration units in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, are hereby denied:

(a) a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the E/2 SW/4 and S/2 SE/4 of Section 3 and NW/4 of Section 10;

(b) a 320-acre Blanco Mesaverde and Basin-Dakota unit comprising the W/2 SW/4 of Section 2, N/2 SE/4 of Section 3, and NE/4 of Section 10;

(c) a 160-acre Fruitland and Pictured Cliffs unit comprising the W/2 SW/4 of Section 2 and the N/2 SE/4 of Section 3; and

(d) a 160-acre Fruitland and Pictured Cliffs unit comprising the E/2 SW/4 and S/2 SE/4 of Section 3.

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

Order No. R-5364

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/