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January 17, 1986

HAND-DELIVERED

Michael Stogner, Hearing Examiner
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Application of Benson-Montin-Greer Drilling Corp.
OCD Case No. 8715

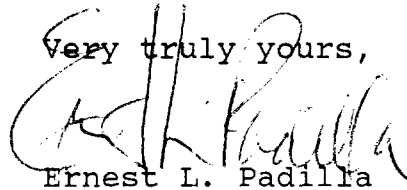
Dear Mr. Stogner:

I enclose the proposed change to Rule 5B contained in Exhibit A of our proposed order in the above-referenced case which we discussed today. For clarity, I have crossed out the earlier proposed language "more than 2310 feet" and typed above it in lieu thereof "2310 feet or more".

The purpose of the change is to allow a well to be placed at exactly 2310 ft. from the east boundary of the Gavilan Mancos Oil Pool without the well being unorthodox for allowable purposes as proposed by our proposed order. This change simply clarifies the proposed rule, and prevents misinterpretation of the rule which could result in a well being unorthodox by 12 inches.

Let me know if you have any questions.

Very truly yours,



Ernest L. Padilla

ELP:njp

Enclosure

cc: Al Greer

EXHIBIT A

SPECIAL RULES AND REGULATIONS
FOR THE
WEST PUERTO CHIQUITO-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 640 acres which shall comprise a single governmental section, being a legal subdivision of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 632 and 648 contiguous surface areas shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 2A. An exception to the provisions of Rule 2 may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the non-standard unit within 30 days after the Director received the application.

RULE 3.

(a) Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located no nearer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line, provided however, that, with the exception of Rule 3A, nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

(b) The operator of each well projected to and completed in the West Puerto Chiquito-Mancos Oil Pool shall conduct deviation tests on such well to determine the deviation from the vertical at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Gas.

(c) If the total deviation, assumed in a constant direction, indicates a horizontal displacement of the lowermost perforation, or the bottom of the hole in the case of an open-hole completion, of more than 330 feet from the surface location, no allowable shall be approved for the well unless a directional survey

approved by the Division Director establishes a horizontal displacement of 330 feet or less, or unless the well has been approved for production, subject to a possible production penalty, after notice and hearing.

Offset operators to the east of any such well which has a total deviation of more than 330 feet may waive the aforesaid hearing requirement, in which case no penalty will be imposed on the well.

RULE 3A. At the option of the operator a second well may be drilled on any proration unit on the western-most two rows of sections in the Pool. Such western-most two rows of sections in Rio Arriba County, New Mexico are described as follows:

Township 24 North, Range 1 West

All of Sections 5, 6, 7 and 8

Township 25 North, Range 1 West

All sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31 and 31

Township 26 North, Range 1 West

All Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31 and 32

RULE 3B. Only one well shall be allowed to be drilled in the west one-half of the row of sections in the Pool which border the Gavilan Mancos Oil Pool.

RULE 4. The Division Director may grant an exception to the surface location requirements of Rule 3(a) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the re-completion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be

notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers of objection from all operators or if no objection is received from any offsetting operator within 20 days after receipt of the application and written waivers have been received from all offset operators whose lands are being "crowded" either directly or diagonally by the proposed unorthodox location.

RULE 5. Except as otherwise provided by Rules 5A and 5B, a standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 643 acres) shall be assigned a ~~640-acre-depth-bracket~~ top allowable of ~~640~~ 1,404 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned a an depth-bracket allowable in the same ratio to 640 as the acreage in the proration unit bears to 640.

RULE 5A. Any well in the West Puerto Chiquito Mancos Oil Pool which is located closer than 2310 feet from the east boundary of the Gavilan Mancos Pool shall not be allowed to produce a share of its proration unit's top allowable in excess of the top allowable (702 BOPD) for a well in the Gavilan Mancos Oil Pool.

✓ RULE 5B. Any well in the West Puerto Chiquito Mancos Oil Pool which is the only well on a proration unit and which is located ^{2310 feet or more} ~~more than 2310 feet~~ from the east boundary of the Gavilan

Mancos Oil Pool shall be allowed to produce a full proration
unit's top allowable of 1404 BOPD.