



OIL CONSERVATION DIVISION
RECEIVED
'92 AUG 3 AM 9 48
Southern
Rockies
Business
Unit

July 29, 1992

Bureau of Land Management
P.O. Box 1449
Santa Fe, NM 87501

Bureau of Land Management
P.O. Box 6770
Albuquerque, NM 87197-6770

New Mexico State Land Office
Oil and Gas Development
P.O. Box 1148
Santa Fe, NM 87501-1148

Oil Conservation Commission
State of New Mexico
P.O. Box 2088
Santa Fe, NM 87501-2088

Office of District Engineer
Bureau of Land Management
P.O. Box 959
Farmington, NM 87401

File: DJD-11-416

Gallegos Canyon Unit
San Juan County, New Mexico
1992 Plan of Development

Amoco Production Company, as Unit Operator, submits the attached 1992 Plan of Development for the Gallegos Canyon Unit for your approval. The subject plan covers only formations from the base of the Pictured Cliffs to basement rock. BHP Petroleum Inc., suboperator of the formations from the surface to the base of the Pictured Cliffs formation, will submit a separate Plan of Development for the formations. The plan proposes the drilling of no new wells during 1992. All affected working interest owners have been contacted and the approval provisions of the Unit Operating Agreement have been followed.

If this Plan of Development is acceptable, please signify your approval in the space provided on the attached sheet and return an approved copy to Amoco Production Company at the attention of Emily Miller.

Please direct any questions regarding this correspondence to Emily Miller at (303) 830-4214.

Sincerely,

J. D. Hamrick EAM
J.D. Hamrick

EAM/cjt

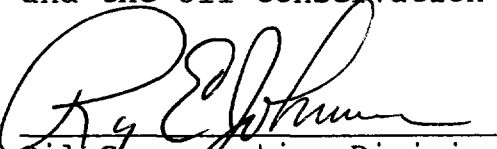
1992 Plan of Development
Gallegos Canyon Unit

APPROVED: _____
Bureau of Land Management
(Subject to approval by the
Commissioner of Public Lands
and the Oil Conservation Division)

DATED: _____

APPROVED: _____
Commission of Public Lands
(Subject to like approval by
the Bureau of Land Management
and the Oil Conservation Division)

DATED: _____

APPROVED:  _____
Oil Conservation Division
(Subject to like approval by
the Bureau of Land Management
and the Commissioner of Public Lands)

DATED: 8-6-92

The forgoing approval are for the 1992 Plan of Development for the
Gallegos Canyon Unit, San Juan County, New Mexico.

92005

Gallegos Canyon Unit
San Juan County, New Mexico
1992 Plan of Development

1991 Operations Summary

In 1991 Amoco Production Company, as operator of the Gallegos Canyon Unit, drilled no new wells. This was in accordance with Amoco's 1991 Plan of Development.

Number of Completions

	Participating	
	<u>Active</u>	<u>Inactive</u>
Dakota	186	58
Gallup	<u>4</u>	<u>5</u>
Total	190	63

Well Status

As of this date, the total number of wells in the Gallegos Canyon Unit is as follows:

	<u>Participating</u>
Dakota (DK)	244
Gallup (GP)	9
Plugged and Abandoned	<u>30</u>
Total	283

1992 Drilling Program

No wells are proposed for drilling during 1990.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Farmington Resource Area
1235 Laplata Highway
Farmington, New Mexico 87401

TAKE
PRIDE IN
AMERICA

IN REPLY REFER TO:
Gallegos Canyon Unit (GC)
3180 (019)

CL 10 180

Mr. Richard Tully
P.O. Box 268
Farmington, NM 87499-0268

Dear Mr. Tully:

Your letter of March 3, 1992, requested clarification on the commitment status of Tract No. 102 to the Gallegos Canyon Unit. You referred to our letters of July 20, 1991 and Feb. 12, 1992, which contradict each other on this tracts commitment status.

We based our July 20 letter on the information you supplied in your original letter to this office. We assumed that the information you stated in your letter was correct. We regretfully did not do any research on the issue. BHP subsequently requested our determination on the commitment status of Tract No. 102. Since the issue had not been resolved, we researched our unit files. We subsequently determined that the tract was partially committed to the unit and notified BHP of this finding in our Feb. 12, 1992 letter.

For your information, the definition of partially committed (PC) is when the lessor has not committed to the unit, but all the lessees and working interests owners have committed their interests. When this occurs, a well that is drilled on the PC tract can be included in a participating area (PA). However, the working interest owner must allocate the entire production to the PA and also pay the noncommitted parties their just royalty on a leasehold basis.

We hope that this letter clarifies the issue. We regret any problems the contradictions in our letters have caused.

If you have any questions concerning this matter, please call Duane Spencer at (505) 599-8950.

Sincerely,

/s/ John L. Keller

FOR Mike Pool
Area Manager

cc:
See Attached List

BHP Petroleum (Americas) Inc.
5847 San Felipe, Suite 3600
Houston, TX 77057-3005

New Mexico Oil Conservation Division
310 Old Santa Fe Trail, Room 206 ✓
Santa Fe, NM 87503

New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410



United States Department of the Interior

TAKE
PRIDE IN
AMERICA

BUREAU OF LAND MANAGEMENT
Farmington Resource Area
1235 Laplata Highway
Farmington, New Mexico 87401

IN REPLY REFER TO:
Gallegos Canyon Unit (PA)
3186.1 (019)

FEB. 21 1992

BHP Petroleum
5847 San Felipe, Suite 3600
Houston, TX 77057

Re: Gallegos Canyon Unit
Initial Fruitland Participating Area "F"

Gentlemen:

We have reviewed your application for the Initial Fruitland Participating Area "F" of the Gallegos Canyon Unit located in San Juan County, New Mexico.

The economics submitted with your application reflected re-completion costs of the existing wellbore in unit well No. 340 located 1370' from the north line and 475' from the west line of Sec. 24, T. 29 N., R. 13 W. The guidelines for units and participating areas require that each formation be evaluated as a separate zone capable of producing unitized substances in sufficient quantities to pay the expense of drilling, completing, and equipping the well. The guidelines further state that economics are to be based on fixed costs and revenue at the time of the investment with no escalation.

An economic evaluation was conducted utilizing the above parameters based on average well costs per foot in this area at the time the well was re-completed in the Fruitland formation. The results of the economic evaluation were that well No. 340 was a non-paying well.

Your request to establish the Initial Fruitland Participating Area "F" is therefore denied based on poor economics. Please continue to report production from well No. 340 under the existing lease number.

Under the provisions of 43 CFR 3165.3, you may request an administrative review of the non-paying determination. The request, including all supporting documents must be filed in writing within 20 business days of receipt of this correspondence. The appeal must be filed with the State Director, Bureau of Land Management, PO Box 27115, Santa Fe, New Mexico 87502-7115.


Such requests shall not result in a suspension of the non-paying determination unless the reviewing official so determines. Procedures governing appeals from instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et. seq.

Enclosed for your consideration are some guidelines for submitting Participating area applications as well as a listing of the "Renegotiated Board Rate". We hope you will find this helpful when submitting future applications.

If you have any questions concerning the above, please contact Ray Hager at (505) 599-8959.

Sincerely,

/s/ Duane Spencer

 Mike Pool
Area Manager

4 Enclosures:

- 1 - Original Application
- 2 - PA Guidelines
- 3 - Renegotiated Board Rate Listing
- 4 - Economic Evaluation

cc:

Minerals Management Service, RMP, MS-3240 (w/o encl)
New Mexico Oil Conservation Division, Santa Fe, NM (w/o encl)
Commissioner of Public Lands, Santa Fe, NM (w/o encl)

5847 San Felipe Suite 3600
Houston, Texas 77057
Telephone: (713) 780-5000
FAX (713) 780-5273
Telex 9108813603

November 6, 1991



United States Department of Interior
Bureau of Land Management
Farmington Resource Area
1235 LaPlata Highway
Farmington, NM 87401

State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, NM 87504

✓ State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
State Land Office Building
Santa Fe, NM 87504

Re: Consolidated Fruitland Participating Area Application
Gallegos Canyon Unit Area
San Juan, NM

Gentlemen:

BHP Petroleum (Americas) Inc., as Unit Sub-Operator, requests your approval in accordance with Section 10 of the Gallegos Canyon Unit Agreement of the selection of the lands indicated on the attached land map, Exhibit "1", to constitute the Consolidated Fruitland Participating Area "B-E". The Gallegos Canyon Unit Well #28 located 400 feet from the north line and 770 feet from the east line of Section 30-T29N, R12W, San Juan County, New Mexico, was drilled to a total depth of 1,227 feet and completed in the Pictured Cliffs formation in 1953. The well was subsequently recompleted in the Fruitland sandstone formation on November 22, 1990. The well was connected for production on May 13, 1991.

The attached Exhibit "2" describes the unit tracts and lands within the proposed consolidated area and the percentage of the total participating area attributable to each. The attached Exhibit "3" contains the engineering data to demonstrate that the subject well is capable of producing unitized substances in paying quantities.

The effective date of the proposed consolidated participating area is December 1, 1990.

Consolidated Fruitland Participating Area Application
Page 2
November 6, 1991

Your approval of this application as submitted is hereby requested. Two (2) copies of the application are enclosed for BLM. Should you need more information, please advise.

Very truly yours,

BHP PETROLEUM (AMERICAS) INC.

A handwritten signature in cursive script, reading "Donald Reinhardt".

Donald Reinhardt
Senior Landman
Inland Business Unit

DR:hh

Enclosures

xc: Amoco Production Company
P. O. Box 800
Denver, CO 80201
Attn: Michael Cuba

EXHIBIT "2"

Consolidated Fruitland Participating Area "B-E"
Effective December 1, 1990

UNIT TRACT NO.	DESCRIPTION	PARTICIPATING ACRES	TRACT ALLOCATION
11	<u>T29N, R12W</u> Sec. 30: NE14 NE1/4	40.00	3.571429%
22	<u>T29N, R12W</u> Sec. 19: NW1/4 NE1/4	40.00	3.571429%
34	<u>T29N, R12W</u> Sec. 19: NE1/4 SE1/4, E1/2 NE1/4	120.00	10.714286%
36	<u>T29N, R12W</u> Sec. 29: NE1/4 SW1/4, NE1/4 SE1/4	80.00	7.142857%
112	<u>T29N, R12W</u> Sec. 30: W1/2 NE1/4, SE1/4 NE1/4	120.00	10.714286%
113	<u>T29N, R12W</u> Sec. 29: W1/2 SW1/4, SE1/4 SW1/4	120.00	10.714286%
117	<u>T29N, R12W</u> Sec. 19: SE1/4 SE1/4	40.00	3.571429%
122	<u>T29N, R12W</u> Sec. 19: W1/2 SE1/4, SW1/4 NE1/4	120.00	10.714286%
124	<u>T29N, R12W</u> Sec. 29: W1/2 SE1/4, SE1/4 SE1/4	120.00	10.714286%
125	<u>T29N, R12W</u> Sec. 29: NE1/4	160.00	14.285713%
126	<u>T29N, R12W</u> Sec. 29: NW1/4	160.00	14.285713%
TOTAL		1,120.00	100.000000%

EXHIBIT "3"

GALLEGOS CANYON UNIT NO. 28 400' FNL & 770' FEL SECTION 30-T29N-R12W SAN JUAN COUNTY, NEW MEXICO UNIT PAY ANALYSIS

The Gallegos Canyon Unit No. 28 was spudded on May 16, 1953, and drilled to a total depth of 1227' on June 8, 1953. 13 3/8" 48#/ft surface casing was set at 86' and cemented to surface with 75 sacks Class "Neat" cement. 10-3/4" intermediate casing was set at 300' and cemented to surface. 8 5/8" casing was set at 587' and cemented to surface. 7" casing was set at 1060' and cemented to surface. 5 1/2" 14# production casing was set at 1184', and cemented with 85 sacks "Neat" cement.

COMPLETION

The well was initially completed in the Kutz Pictured Cliffs formation, open hole 1,180'-1,223'. The formation was then shot with 57 quarts of nitro-glycerine. The well was shut-in January 1988, after producing a cumulative 600 MMCF from the Pictured Cliffs.

On November 22, 1990, a CIBP was set at 1150' and the Pictured Cliffs perms were abandoned. The Fruitland Sand was perforated at 932-934'. The Fruitland was then fractured with 30,500 gal 70 quality N2 foam and 49,750 lbs 20/40 sand. First sales occurred on May 13, 1991.

CONCLUSION

Using the economic parameters in the following tables, the well will payout in less than one year. Therefore, it is concluded that the Gallegos Canyon No. 28 Fruitland Sand formation is productive in paying quantities according to the unit agreement and should be classified as a paying well.

#247

RECEIVED
DIVISION
791 AUG 2 AM 9 14

8-8-91
D-Unit letter
Tx Ry

5847 San Felipe Suite 3600
Houston, Texas 77057
Telephone: (713) 780-5000
FAX (713) 780-5273
Telex 9108813603

July 31, 1991



BHP
Petroleum
(Americas) Inc

Department of Interior
Bureau of Land Management
P.O. Box 1449
Santa Fe, NM 87501

Department of Interior
Bureau of Land Management
Office of District Engineer
1235 LaPlata Highway
Farmington, NM 87401

New Mexico State Land Office
Oil & Gas Development
P.O. Box 1148
Santa Fe, NM 87501-1148

State of New Mexico
Oil Conservation Commission
P.O. Box 2088
Santa Fe, NM 87501

RE: **Amendment to 1991 Plan of Development**
Gallegos Canyon Unit
Pictured Cliffs, Fruitland, and Farmington Formations
San Juan County, New Mexico

Gentlemen:

As sub-operator of certain unit lands within the Gallegos Canyon Unit located in San Juan County, New Mexico, BHP Petroleum (Americas) Inc. submits for your review and approval the following amendment to the 1991 Plan of Development.

In 1991, BHP Petroleum (Americas) proposes to drill 1 salt water disposal well. The proposed well, **Gallegos Canyon Unit #13-1 SWD**, will be located in **SE Section 13-T29N-R13W** and the primary objective will be the **Mesaverde**. It is anticipated that this well will serve as a disposal well for produced waters from both the Pictured Cliffs and Fruitland Coal formations.

We respectfully submit this amendment to the 1991 Plan of Development and request your approval at your earliest possible convenience. Please provide both BHP Petroleum (Americas) and the Unit Operator, Amoco Production Company, notice of approval of this plan.

Very truly yours,

BHP PETROLEUM (AMERICAS), INC.

Melissa Torbet

Melissa Torbet
Sr. Production Engineer

5847 San Felipe Suite 3600
Houston, Texas 77057
Telephone: (713) 780-5000
FAX (713) 780-5273
Telex 9108813603

OIL CONSERVATION DIVISION
JUL 11 1991
101 07 12 10 9 04

July 8, 1991

United States Department of Interior
Bureau of Land Management
Farmington Resource Area
1235 LaPlata Highway
Farmington, NM 87401



State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, NM 87504

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

Re: Fruitland Participating Area Application
for Gallegos Canyon Unit Well #340
Gallegos Canyon Unit
San Juan County, NM

Gentlemen:

In February of this year, BHP Petroleum (Americas) Inc., as Unit Sub-Operator, submitted the referenced Participating Area application for approval. Since submitting the application, it has come to our attention that Exhibit "1" attached to the application contained a material error. The proposed participating area is comprised of lands located in the NW/4 Section 24-T29N, R13W. The Exhibit attached to the application indicates the participating area as covering the NW/4 Section 26-T29N, R13W.

Enclosed for your file is a revised Exhibit "1" with the proposed participating area depicted in the correct Section 24. Please substitute the enclosed Exhibit into your copy of the application and discard the Exhibit provided you earlier.

Very truly yours,

BHP PETROLEUM (AMERICAS) INC.

A handwritten signature in black ink, appearing to read "Donald Reinhardt", is written over the typed name.
Donald Reinhardt
Senior Landman
Inland Business Unit

DR:CFL

Enclosures

cc: Gallegos Canyon Unit
Working Interest Owners

WORKING INTEREST OWNERS
ADDRESS LIST

Gallegos Canyon Unit

Amoco Production Company
ATTN: Southern Div. Land Manager
P. O. Box 800
Denver, CO 80201

Dugan Production Corporation
P. O. Box 208
Farmington, NM 87499

Paul Slayton
P. O. Box 2035
Roswell, NM 88201

Fina Oil & Chemical Company
ATTN: Kevin Pfister
1004 N. Big Spring
P. O. Box 2990
Midland, TX 79702

Donald S. Fulsaas
Individually and as Executor of
Russell Fulsaas Estate
4865 Lowry Road
Oakland, CA 94605

Marilyn A. Fulsaas
2440 Bryant Street
Palo Alto, CA 94301

Richard M. Fulsaas
West 1417 Kiernan
Spokane, WA 99250

MMH Trust
P. O. Box 489
Roswell, NM 88202-0489

Maalfred S. Johnson and
Harold K. Johnson Estate
643 Montezuma Court
Walnut Creek, CA 94598

Margaret C. Johnson
1114 Laurel Drive
Lafayette, CA 94549

Maryan Klinger Trust
4777 Grouse Run, No. 140
Stockton, CA 95207

Dorothy E. Mengotto
19100 Crest Avenue, No. 10
Castrol Valley, CA 94546

Meridian Oil Production, Inc.
P. O. Box 4289
Farmington, NM 87499

Conoco, Inc.
ATTN: Administrative Manager
3817 NW Expressway
Oklahoma City, OK 73112

Arley P. Geniusz Trust
1405 E. Central Road, Apt. 120C
Arlington Heights, IL 60005

Weig Family Trust
6633 Minnehaha Avenue
Lincolnwood, IL 60646

Texaco, Inc.
ATTN: Joint Operations
P. O. Box 46555
Denver, CO 80201-6555

Marbob Energy Corporation
P. O. Drawer 217
Artesia, NM 88211-0217

Total Minatome Corporation
P. O. Box 4326
Houston, TX 77210

Wood Oil Company
3100 Mid-Continent Tower
Tulsa, OK 74103

EXHIBIT "3"

GALLEGOS CANYON UNIT NO. 340 NW NW SECTION 24-T29N-R13W SAN JUAN COUNTY, NEW MEXICO UNIT PAY ANALYSIS

The Gallegos Canyon Unit No. 340 was spudded on January 28, 1985, and drilled to a total depth of 1310' on February 1, 1985. 7", 23#/ft surface casing was set at 159' and cemented to surface with 210 sacks Class "B" cement. 4-1/2", 10.5#/ft production casing was set at 1310', and cemented to surface with 175 sacks 50-50 pozmix.

COMPLETION:

The well was initially completed in the Pictured Cliffs Formation, perms 1230-33', 1217-23', and 1210-12' with 1 JSPF. The formation was then fractured with 22,000 gallons of 70 Q foam and 30,000 lbs 10-20 sand. The well was turned to the sales line on May 9, 1985.

On September 7, 1989, a CIBP was set at 1150' and the Pictured Cliffs Perfs were abandoned. The Fruitland Sand was perforated at 917-934'. The Fruitland was then fractured with 70 Q Foam and 145,000 SCF N₂, and 33,500 lbs 12-20 sand. The well was tested at a rate of 550 MCFD and 150 psi FTP on a 3/8" choke. First sales occurred on November 1, 1989.

CONCLUSIONS:

Using the economics parameters in the following tables, the well will payout in 0.316 years. Therefore, it is concluded that the Gallegos Canyon No. 340 is productive in paying quantities according to the unit agreement and should be classified as a paying well.

TABLE I

**GALLEGOS CANYON UNIT NO. 340
DATA AND ASSUMPTIONS
UNIT PAY ANALYSIS**

1. Net Pay - 24 ft.
2. Average Porosity - 21.3%
3. Average Water Saturation - 25.6%
4. Well Spacing - 160 acres
5. Reservoir Temperature - 80°F
6. Estimated Initial BHP - 400 psig
7. Line Pressure - 115 psig
8. Estimated Flowing BHP - 120 psig
9. Gas Price - \$1.10/mcf
10. Operating Costs - \$875/month
11. Taxes - 11.5%
12. Discount Rate - 11.5%
13. Royalty - 13.2%
14. Well Cost - \$17,429
15. Gas Gravity - 0.5768
16. Stabilized Test Flow Rate - 550 MCFD
17. Gross Recoverable Gas - 330.0 MMCF

TABLE II

**GALLEGOS CANYON UNIT NO. 340
ECONOMICS SUMMARY
UNIT PAY ANALYSIS**

<u>ITEM</u>	<u>YEAR 1</u>	<u>YEAR 2</u>
Average Production Rate (MCFD)	337	227
Yearly Production (MCF)	122,976	82,994
BHP Net Yearly Production (MCF)	32,596	21,998
BHP Net Value (\$)	35,856	26,811
BHP Net Investment (\$)	5,323	-----
Net Income Taxes (\$)	9,721	6,634
Net Severance Taxes (\$)	4,984	3,727
Net Operating Expenses (\$)	3,110	3,351
Net Cash Flow (\$)	12,718	13,099
Cumulative Net Present Value (\$)	11,782	22,908

As can be seen, payout occurs during the first year of production.

GALLEGOS CANYON UNIT No. 340 MONTHLY GAS PRODUCTION

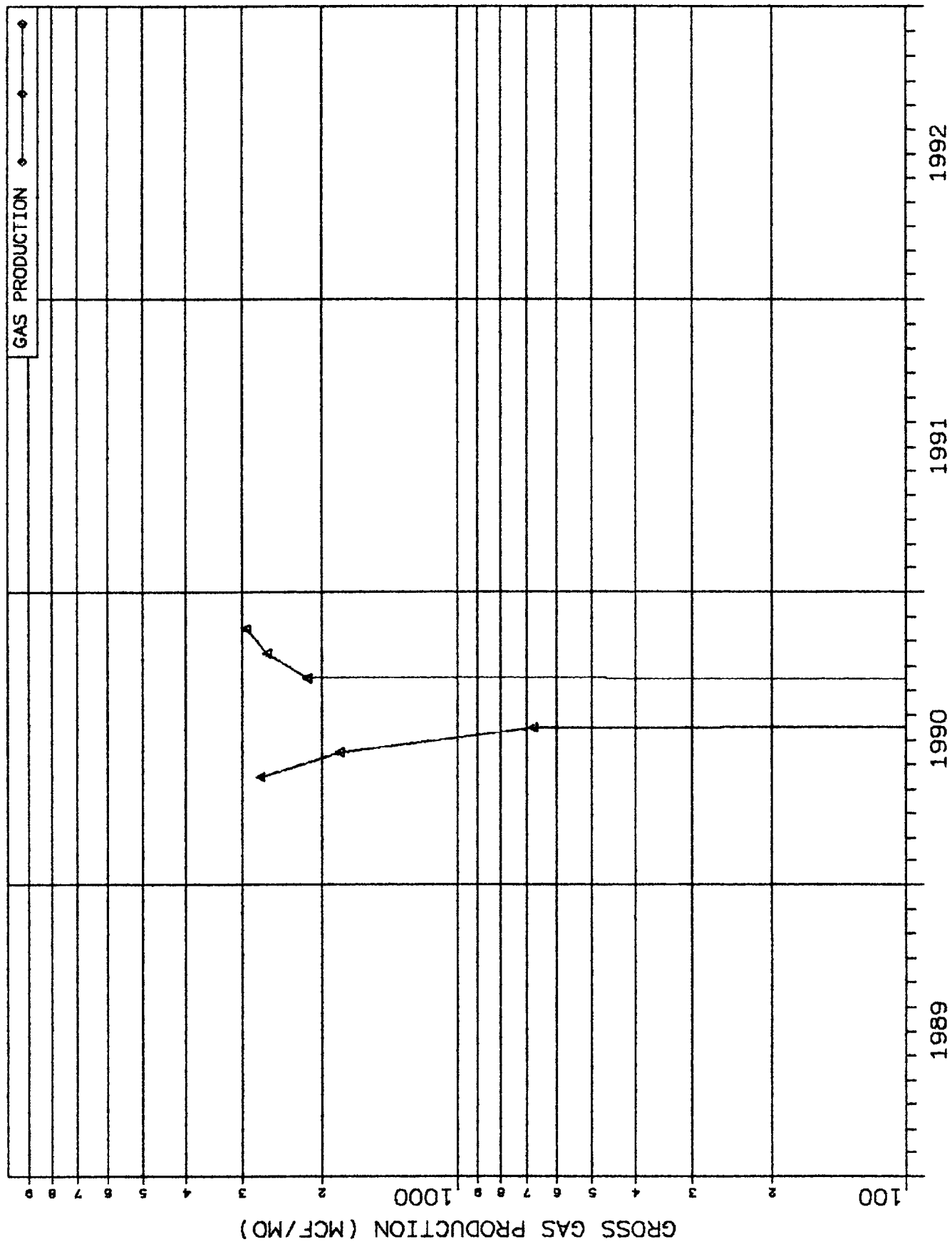


EXHIBIT "2"

Initial Fruitland Participating Area "F"
Effective October 1, 1989.

<u>UNIT TRACT NO.</u>	<u>DESCRIPTION</u>	<u>PARTICIPATING ACRES</u>	<u>TRACT ALLOCATION</u>
105	<u>T29N, R13W</u> Sec. 24: The West 12 acres of the NW/4 NW/4	12.00	7.5%
106	<u>T29N, R13W</u> Sec. 24: The East 28 acres of the NW/4 NW/4 less and except the following tract of land located in Section 24-T29N, R13W, N.M.P.M., San Juan County, New Mexico: commencing at the Northeast corner of the NW/4 NW/4 of Section 24; THENCE West 74.75 feet; THENCE South 1,320 feet; THENCE East 74.75 feet; THENCE North along the subdivision line 1,320 feet to the place of beginning, containing 2 acres, more or less.	26.00	16.25%
106-A	A tract of land located in Section 24-T29N, R13W, N.M.P.M., San Juan County, New Mexico, hereinafter described as follows: commencing at the Northeast corner of the NW/4 NW/4 Section 24; THENCE, West 74.75 feet; THENCE South 1,320 feet; THENCE East 74.75 feet; THENCE North along the subdivision line 1,320 feet to the place of beginning, containing 2 acres, more or less	2.0	1.25%
107	<u>T29N, R13W</u> Sec. 24: NE/4 NW/4	40.00	25.%
108	<u>T29N, R13W</u> Sec. 24: S/2 NW/4	77.00	48.125%
108-A	<u>T29N, R13W</u> Sec. 24: 3.0 acres in the Northwest corner of the SW/4 NW/4	3.0	1.875%
TOTAL		<u>160.00</u>	<u>100.00%</u>