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Walker, Valerie

From: Walker, Valerie
Sent: Friday, September 26, 2008 2:42 PM
To: 'Guzman, Georgina'; 'Schreck, Stephen'
Cc: Ahlstrand, Dennis
Subject: REFILE Montoya 1-12V and Montoya 1-12R

Georgina and Steve,

I always say that operators should drill on the first permit because on the refile we always find something we missed the first time around. This is one of those instances.

Petrogulf pooled the SWNW and NWSW of Section 1 to solve the problem of being 196 feet to the mineral lease line to the south. In doing so they "in effect" created a mineral lease line to the east. The captioned Vermejo well is 285 feet from the pooled line to the east and the Raton well is 186 feet. As they are both under statewide spacing they are encroaching on the Lease to the east.

I am not certain how to deal with the encroachment to the east by the wells since the lease to the east and southeast is part of the lease that is pooled. Let me know what your thoughts are about this "drainage" issue.

Will the Vermejo producing interval be below 2500 feet? If not the problem goes away for the Montoya 1-12V. The problem would remain for the Montoya 1-12 R.

Valerie A. Walker
Colorado Oil & Gas Conservation Commission
1120 Lincoln St.
Denver CO 80203
303-894-2100 ext 102
fax 303-894-2109
valerie.walker@state.co.us