

DATE IN 10/1/07	SUSPENSE	ENGINEER D. BROOKS	LOGGED IN 10/3/07	TYPE NSL	APP NO. TDS0727546066
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Murchison
Mustang FedCom #2
 5716

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] ☒ Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] ☐ Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] ☐ Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 P.O. Box 1056
 Santa Fe, New Mexico 87504

James Bruce
 Signature

Attorney for Applicant
 Title Date

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 e-mail Address

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September 27, 2007

Hand delivered

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Murchison Oil & Gas, Inc. applies for approval of an unorthodox gas well location for the following well:

<u>Well:</u>	Mustang Fed. Com. Well No. 2
<u>Location:</u>	2310 feet FSL & 660 feet FEL
<u>Well unit:</u>	N½ of Section 21, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico

The well will be drilled to a depth sufficient to test the Morrow formation (North Turkey Track-Morrow Gas Pool). Applicant requests unorthodox location approval in both the Morrow and Atoka formations. Both formations are developed on statewide rules, with 320 acre spacing, and wells to be no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line. A Form C-102 is attached as Exhibit A.

The application is based on geologic reasons. The location was chosen as the best place to test both the Atoka and Morrow formations. Exhibits B-1 and B-2 are structure maps of the Morrow A and C zones, and Exhibits C-1 and C-2 are isopachs of the Morrow A and C zones. Moving the proposed well north of a standard location (1980 feet from the south line) increases the thickness of the Morrow sand which will be encountered. In addition, although not as important, the proposed well is at a favorable structural position. The poorest producing wells noted on Exhibits C-1 and C-2 are generally at a lower structural positions.

*Turkey
Track
Atoka*

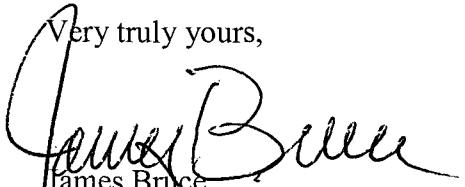
In addition, applicant desires to keep the well in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 21 due to the Atoka formation. Exhibits D and E are structure and isopach maps of the Atoka. The Atoka reservoir is much more limited in extent than the Morrow reservoir, and a plugged well in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 21 had no Atoka present. Moving the well north of a standard location will ensure the best chance of success in the Atoka.

The proposed location will ensure the best chance of encountering commercial production in both zones, and prevent waste.

The well does not encroach on the W $\frac{1}{2}$ of Section 22, operated by OXY USA WTP Limited partnership. In addition, all of Section 21 is federal minerals, and the entire section is covered by an operating agreement. Thus, working interests are common in both the N $\frac{1}{2}$ and S $\frac{1}{2}$ units. Thus, the well does not encroach on any offset interest owner. Because there is no adversely affected offset owner, notice has not been given to anyone.

Please contact me if you need any further information regarding this application.

Very truly yours,



James Bruce

Attorney for Murchison Oil & Gas, Inc.