

NLSL PMESD-335826947

ELK OIL COMPANY

Sup 1/5/2004 *MS*

JOSEPH J. KELLY
PRESIDENT

BOX 310
ROSWELL, NEW MEXICO 88202
(505) 623-3190

RECEIVED

December 8, 2003

DEC 15 2003

Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Attention: Michael Stogner

Re: Conestoga State #1 Well
330' FSL & 990' FEL
Section 14-T8S-R27E
Chaves County, New Mexico

10:20AM

12/23/2003

*- called Joe Kelly
- not in - will call on Monday 1-5-04*

Gentlemen:

Elk Oil Company respectfully requests administrative approval for a non-standard gas well on the location referenced above to cover the ABO, Wolfcamp, Penn and Mississippian formations. This is a re-entry of an existing wellbore.

Elk is requesting offset leaseholders to approve said non-standard location. Yates Petroleum Corporation is the only leaseholder.

Elk is enclosing the following information:

- (1) State Forms C-101 and C-102
- (2) Lease map outlining offset leaseholds
- (3) Copy of Case No. 10344, Order No. R-9583

Please approve our request for a non-standard location.

Yours very truly,
ELK OIL COMPANY

[Signature]
Joseph J. Kelly, President

Elkoil@pvt.n.net

*1-5-2004
9:00AM
talked w/ Joe Kelly re the 1/2
of Sect 23 to the southern
100% Elk Oil WI.
JJK/jgb
Enc.
*MS**

District I

PO Box 1980, Hobbs, NM 88241-1980

District II

811 S. First Street, Artesia, NM 88210

District III

1000 Rio Brazos Rd, Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-101

Revised February 10, 1994

Instructions On Back

Submit to Appropriate District Office

State Lease - 6 Copies

Fee Lease - 5 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87504-2088

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1 Operator Name and Address ELK OIL COMPANY P.O. BOX 310 ROSWELL, NEW MEXICO 88202-0310		2 OGRID Number 7147
		3 API Number 30-005-62887
4 Property Code	5 Property Name CONESTOGA STATE	
		6 Well No. 1

7 Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
P	14	8 SOUTH	27 EAST		990'	EAST	330'	SOUTH	CHAVES

8 Proposed Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
9 Proposed Foot 1					10 Proposed Foot 2				
Undesignated Mississippian									

11 Work Type Code E	12 Well Type Code G	13 Cable/Rotary R	14 Lease Type Code S	15 Ground Level Elevation 3939.8 GR
16 Multiple N	17 Proposed Depth 6700'	18 Formation MISS.	19 Contractor PATTERSON	20 Spud Date 2/1/04

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Series of Cement	Estimated TOC
12 1/4"	8 5/8"	24#	500'	800 SXS	CIRCULATE
7 7/8"	5 1/2"	15.5# & 17#	6762'	400 SXS	600' ABOVE TOP PAY

22. Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone.
 Describe the blowout prevention program, if any. Use additional sheets if necessary.

Intend to re-enter well.
 Clean out, run 5 1/2" casing to TD of 6762'.
 Perforate, acidize and production test.
 If commercial, place on production.
 BOP Program: See attached.
 Elk does not anticipate H2S at this location.

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: 
 Printed name: JOSEPH J. KELLY
 Title: PRESIDENT

Date: 12/12/03 Phone: 505-623-3190

OIL CONSERVATION DIVISION

Approved By:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached:

Patterson-UTI Drilling Company

Rig # 478

11,500'

DRAWWORKS

Wilson 75

ENGINES

2 Cat D-3406-TA 750HP

DERRICK

Wilson 131", 344,000# hook load w/10 lines

SUBSTRUCTURE

13'5" w/10.5' clear height to rotary beam

MUD PUMPS

2-Elis Williams 600 w/Cat D-353-TA 450HP max

DRILL STRING

4-1/2" 16.60# Grade E w/4 1/4" XH connections

BLOWOUT PREVENTERS

Shaffer LVWS 11" 3000 psi double ram w/(2) 4" openings below-rams. Shaffer 11" 3000 psi annular

MUD SYSTEM

MUD HOUSE

COMMUNICATIONS

24 hour direct cellular telephone

OTHER EQUIPMENT

Blocks, McKissick 536, 250 to 5' sleeve 1" line

Hook, National 200 ton

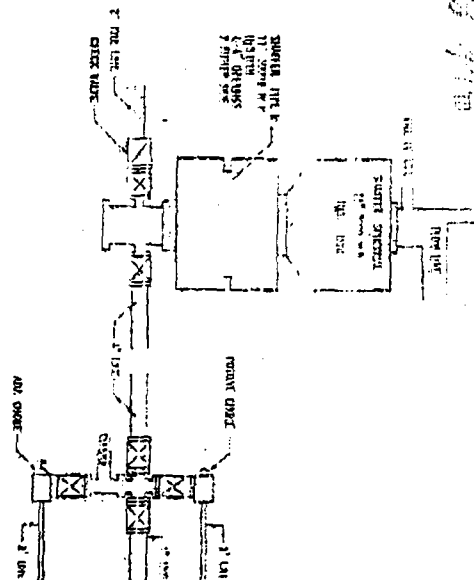
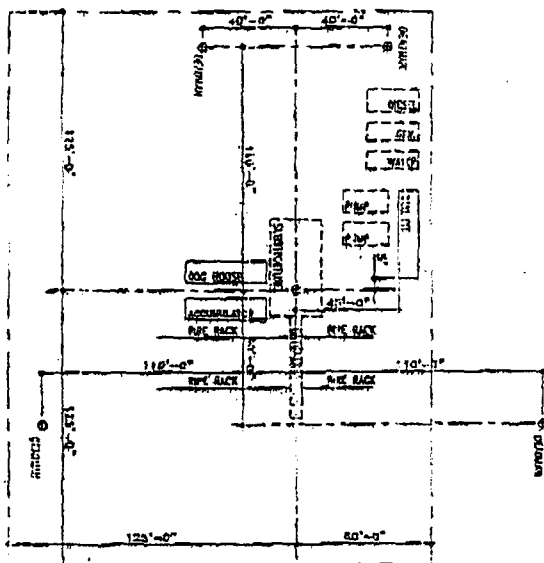
Swivel, Gardner-Denver, SW 120 ton

Rotary Table

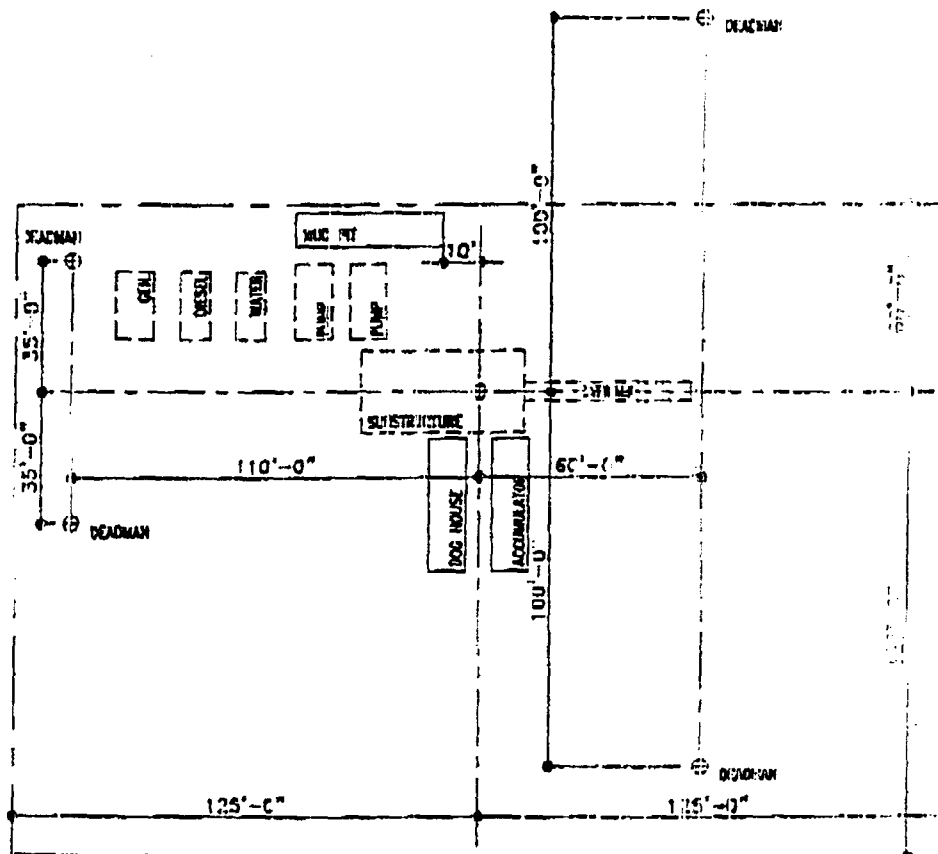
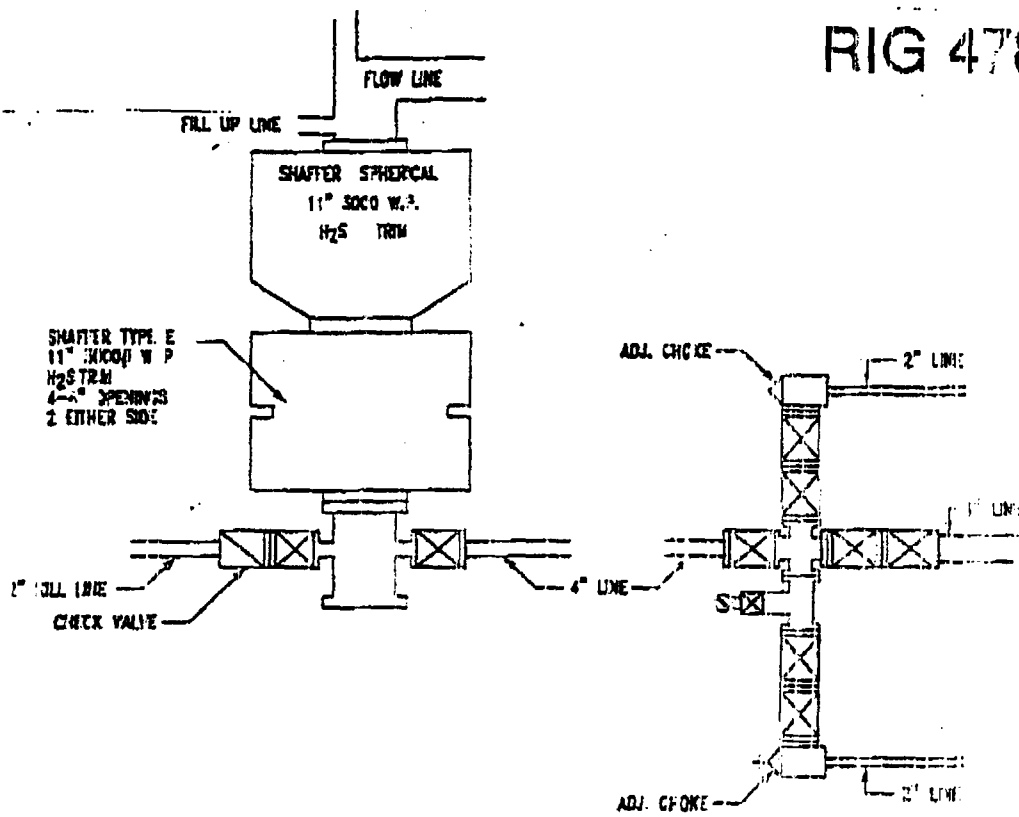
Electrical Power, 2-165 KW AC generators powered by Caterpillar D-3306 TD engines

Fresh Water Storage, Housing, 120 bbl tank w/30 bbl oil compartment

*Note: Requirements will dictate actual Reserve Pit size (COILPUSHER SHOULD BE CONSULTED)



RIG 478



Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Manzano Oil Corp.			Lease Conestaga State		Well No. 1
Unit Letter P	Section 14	Township 8 South	Range 27 East	County NMPM	Chaves
Actual Footage Location of Well: 330 feet from the South line and 990 feet from the East line					
Ground Level Elev. 3939.8	Producing Formation		Pool	Dedicated Acreage: Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☐ Yes ☐ No If answer is "yes" type of consolidation _____

If answer is "no" list of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary.)

No allowable will be assigned to the well unit all interests have been consolidated (by communitization, unitization, forced-pooling, otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

COPY OF ORIGINAL SURVEY FILED
BY MANZANO OIL CORPORATION

STATE OF NEW MEXICO
OIL AND GAS LEASE NO.
V-5961

STATE OF NEW MEXICO
OIL AND GAS LEASE NO.
VB-402

OPERATOR CERTIFICATION

I hereby certify the the information
contained herein is true and complete to the
best of my knowledge and belief.

Signature

Laura King

Printed Name

Production Analyst
Position

Manzano Oil Corporation
Company

Jan 27, 1992
Date

SURVEYOR CERTIFICATION

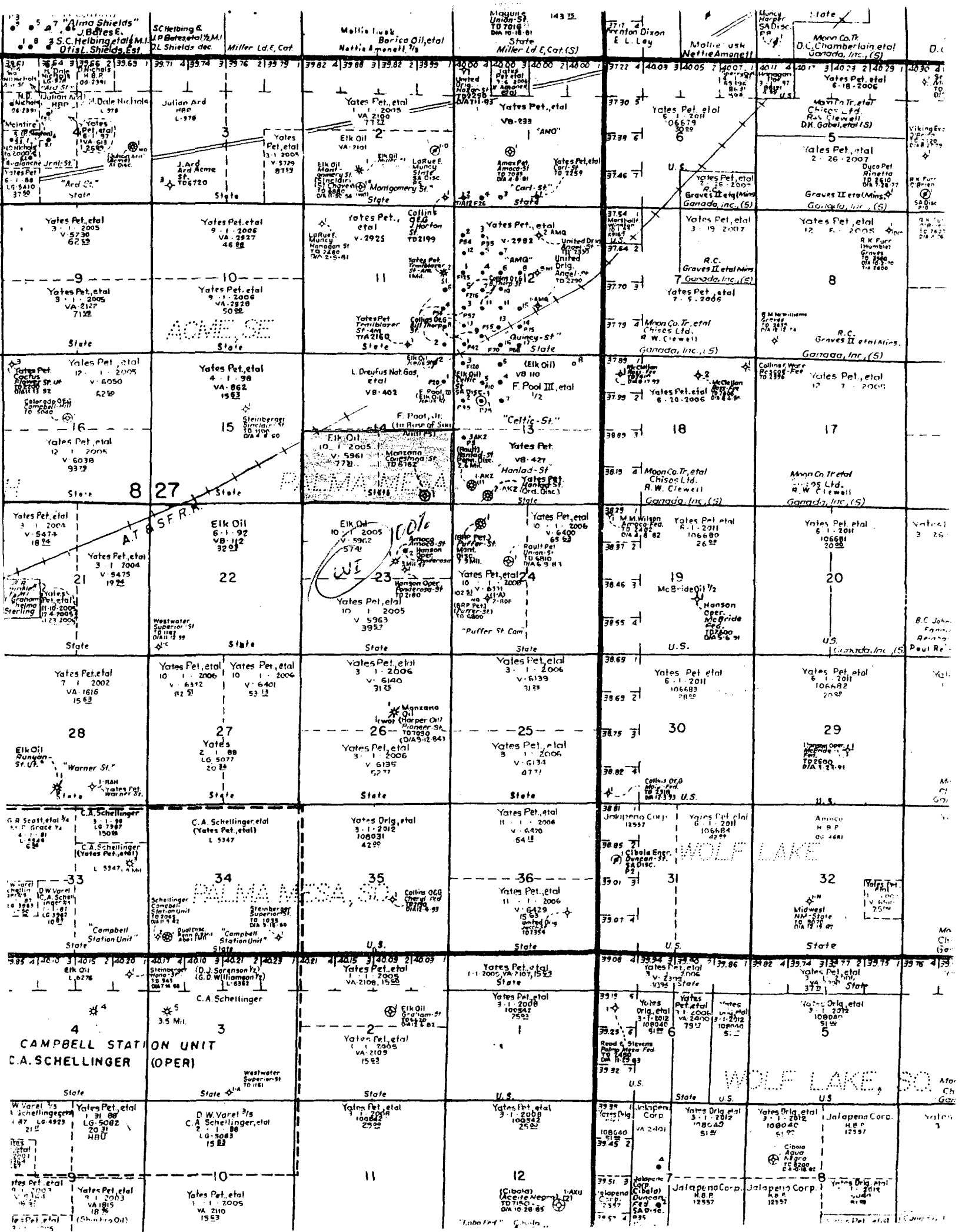
I hereby certify that the well location shown
on this plat was plotted from field notes of
actual surveys made by me or under my
supervision, and that the same is true and
correct to the best of my knowledge and
belief.

Date Surveyed
July 8, 1991

Signature & Seal of
Professional Surveyor

Professional Surveyor
Certificate No. 876
JOHN W. WEST
RONALD J. EDSON, 3239
GARY L. JONES, 7977

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0



STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10344
Order No. R-9583

APPLICATION OF COLLINS & WARE,
INC. FOR AN UNORTHODOX GAS WELL
LOCATION, CHAVES COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 8, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of September, 1991, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Collins & Ware, Inc., seeks approval of an unorthodox gas well location 330 feet from the South line and 990 feet from the East line (Unit P) of Section 14, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico, to test the Montoya formation.

(3) The S/2 of said Section 14 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

(4) BHP Petroleum (Americas) Inc. (BHP), the offset operator to the south and southeast of the proposed location, appeared at the hearing in opposition to the application.

(5) On March 5, 1991, BHP completed its Puffer State Well No. 1 located 660 feet from the North line and 990 feet from the West line (Unit D) of Section 24, Township 8 South, Range 27 East, NMPM, in the Montoya formation through perforations from 6371 feet to 6452 feet. The Puffer State Well No. 1 has potentialized for 7.9 MMCFG per day.

(6) According to evidence presented, the applicant, for geologic reasons, originally intended to drill the proposed well at an unorthodox gas well location 660 feet from the South line and 990 feet from the East line (Unit P) of said Section 14. Said unorthodox gas well location was approved by the Division on April 24, 1991 by Order No. NSL-3003.

(7) Further evidence presented indicates that BHP waived objection to the unorthodox location described above.

(8) According to evidence and testimony presented by the applicant, the newly proposed unorthodox location is based upon both topographic and geologic considerations, namely the presence of a stock watering pond and the presence of a northwest-southeast trending fault.

(9) The applicant presented geologic evidence and testimony in this case which indicates the following:

- 1) The subject reservoir is limited in size and encompasses only portions of Sections 14, 23 and 24;
- 2) A well at the newly proposed unorthodox location should penetrate the Montoya formation at the most favorable structural position within the S/2 of Section 14 and;
- 3) Approximately 50% of the S/2 of Section 14 or 160 acres should be productive of gas from the Montoya formation, said productive acreage being bounded by a northwest-southeast trending fault, a west-southwest-east-northeast trending fault, and a gas water contact estimated to be at a subsea depth of approximately -2550 feet;

(10) BHP also presented geologic evidence and testimony which indicates the following:

- 1) The subject reservoir is limited in size and encompasses only portions of Sections 13, 14, 23 and 24 and;



- 2) Approximately 20 acres within Section 14 should be productive of gas from the Montoya formation.

(11) The applicant's geologic interpretation is likely more accurate than that of BHP inasmuch as it is based upon additional geophysical evidence unavailable to BHP.

(12) The applicant should be allowed to drill a well at the proposed location in order to recover its equitable share of gas underlying the S/2 of Section 14, provided however, in order to protect the correlative rights of BHP, the subject well should be assigned a production penalty.

(13) Utilizing the previously approved unorthodox location and the newly proposed unorthodox location, the applicant has calculated the additional drainage encroachment onto BHP's acreage in Sections 23 and 24. Based upon such calculations (31.05 acres/320 acres) the applicant proposes that the subject well be assessed a production penalty of 9.70%.

(14) Utilizing several methods including the distance the proposed location varies from a standard location, ratio of productive acres underlying Sections 14 and 23, and ratio of productive acres underlying Section 14 to total reservoir productive acres, BHP has proposed various production penalties which range from 70% to 94%.

(15) None of the production penalties proposed by either party represents a fair and equitable solution.

(16) Inasmuch as the applicant currently has authority to drill a well at an unorthodox location 660 feet from the South line and 990 feet from the East line (Unit P) of Section 14 (approved by Division Order No. NSL-3003), any production penalty assessed against the subject well should be based upon encroachment towards BHP's acreage in Section 23 from this point.

(17) BHP's acreage in Section 24 should be adequately protected from drainage from the proposed well by the existence of the Puffer State Well No. 1 as described in Finding No. (5) above.

(18) The production penalty imposed on the subject well should be 50% (330 ft./660 ft.).

(19) An allowable factor of 50% for Montoya production will prevent waste and protect the correlative rights of the applicant as well as BHP and should, therefore, be adopted.

(20) In the absence of any special rules and regulations for the proration of production from the Montoya formation in which the subject well will be completed, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by annual deliverability tests.

(21) The applicant should be required to notify BHP and the Division of the date and time such annual deliverability tests are to be conducted in order that said tests may be witnessed.

(22) Approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the Montoya formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Collins & Ware, Inc., is hereby authorized to drill a well at an unorthodox gas well location 330 feet from the South line and 990 feet from the East line (Unit P) of Section 14, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico, to test the Montoya formation.

(2) The S/2 of said Section 14 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

(3) Upon completion of the subject well and annually thereafter, the applicant shall conduct a deliverability test to determine the well's ability to produce into the pipeline.

(4) The applicant shall be required to notify BHP and the Division of the date and time such annual deliverability tests are to be conducted in order that said tests may be witnessed.

(5) The subject well is hereby assigned a production limitation factor of 50%. The well's daily production shall be limited to 50% of the rate it is capable of producing into the pipeline as determined by the above-described annual deliverability tests.



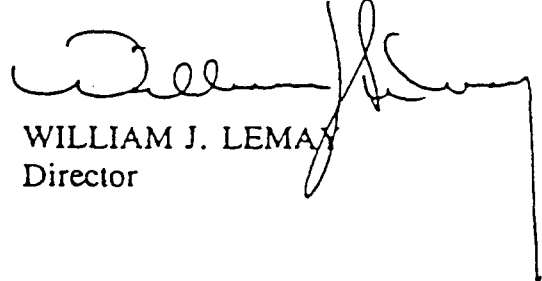
CASE NO. 10344
Order No. R-9583
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(6) Production during any month at a rate less than the limitation described above shall not be carried forward as underproduction into succeeding months, but overproduction of such limitation during any month shall be made up in the next succeeding month or months by shut-in order or reduced rates as required by the supervisor of the Artesia district office of the Division.

(7) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

