



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 24, 2004

Chisos, Ltd.

670 Dona Ana Road, SW

Deming, NM 88030

Attn: Mr. Bill Pierce or To Whom It May Concern

RE: Shut in Order for Chisos, Ltd.: Wishbone Federal Com. # 1, located in Unit L of Section 6, (2000' FSL & 680' FWL) Township 19 South, Range 30 East, Eddy County, New Mexico. API # 30-015-30640

Dear Mr. Pierce or To Whom It May Concern,

In regards to the above referenced well, the New Mexico Oil Conservation Division (NMOCD) has received in part regulatory information of said well which was reportedly completed on 6/07/2004. On August 3, 2004 NSL # 4521-A was issued designating and considering this to be non-standard for a deep wildcat Strawn gas well.

However according to information reported on NMOCD Form C-104 dated on 8/24/2004 and received by our office on 9/24/2004, this well was completed successfully in the Strawn with an gas/oil ratio of 4288:1 and the gravity of the oil being 52.7.

This well location is in an area where there were no previous proven production reserves in the Strawn. Also, per NMOCD definitions for a gas well as being 100,000:1 and an oil gravity being @ 53, this well should be defined as an oil well with 40 acre dedicated acreage.

There have been numerous attempts to contact you by phone and e-mail in order to discuss this matter and to have your company submit to our office an amended C-102 designating said well to @ 40 acres. As of this date, I have not heard from you or anyone representing your company.

Therefore, said well is to be shut-in immediately until this matter is resolved.

For your convenience and information, I have included the NMOCD definition for a gas well and NMOCD rules that I am aware that this well is in violation of.

Please call our office if you have any questions regarding this matter.

Yours truly,

Bryan G. Arrant

PES

CC: Tim Gum, District Supervisor-Artesia

Michael Stogner, Chief Hearing Examiner-Santa Fe

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19.15.1.7 DEFINITIONS:

F. Definitions beginning with the letter "F".

(5) Gas well shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

19.15.3.104 WELL SPACING
AND LOCATION:

B. Oil Well Acreage And Well Location Requirements

(1) Any wildcat well that is projected to be drilled as an oil well to a formation and in an area that in the opinion of the division may reasonably be presumed to be productive of oil rather than gas and each development well for a defined oil pool, unless otherwise provided in special pool orders, shall be located on a spacing unit consisting of approximately 40 contiguous surface acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, which is a governmental quarter-quarter section or lot, and shall be located no closer than 330 feet to any boundary of such unit. Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.

19.15.13.1102 WELL
LOCATION AND ACREAGE DEDICATION
PLAT (Form C-102):

D. Amended form C-102 (in triplicate or quadruplicate) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended form C-102.

[1-1-65...2-1-96; 19.15.13.1102 NMAC - Rn, 19 NMAC 15.M.1102, 06/30/04]