

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

Case 12158

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [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 - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ 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

[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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
 Signature

Attorney for Applicant
 Title

2/15/99
 Date

Print or Type Name

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

*Call James Bruce
- about 4/2 Sec 29
- window 50/100 feet
radius of
a BHL*

February 15, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

File 12158

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Chi Energy, Inc. applies for administrative approval of an unorthodox gas well location for the following well:

Greenstone Fed. Com. Well No. 1
Surface location: 480 feet FSL & 1650 feet FEL
E½ §19, Township 20 South, Range 34 East, NMPM
Lea County, New Mexico

Applicant requests a bottomhole location the same as the surface location, or in the alternative a location 760 feet from the South line and 1650 feet from the East line of the section. Alternative Form C-102's for the well are submitted as Exhibits A and B.

The well will be drilled to a total vertical depth of approximately 13,900 feet, to test the Morrow formation (Undesignated Mid-Bell Lake-Morrow Gas Pool). The pool is subject to statewide rules, requiring 320 acre well units, with wells located no closer than 1650 feet to the end boundary and 660 feet to the side boundary of the well unit, and no closer than 330 feet to a quarter-quarter section line.

The proposed location is based on potash and geologic reasons. The well is located in the oil-potash area, as defined by Division Order No. R-111-P. Applicant has been informed by the Bureau of Land Management that the only permissible surface location in the E½ of Section 19 is within 150 feet of the existing Yarbrough Oil Co. Lynch Fed. Well No. 1, located 330 feet from the South line and 1650 feet from the East line of Section 19. Thus, the surface location for the well must be at or near the proposed location.

Attached as Exhibit C is a net isopach map of the Lower Morrow Clastics, the main pay zone. The Morrow formation in this area is a narrow north-south trending sand bar. A well at the proposed location(s) is favorably situated geologically, and will encounter approximately 20-30 feet of net sand. As shown by the production data on Exhibit D, the structure map, this thickness is necessary to have a commercial well. Thus, a well at proposed location reduces the risk involved in drilling the well.

Applicant's alternate location would be obtained by directionally drilling approximately 280 feet north from the surface location. This can be done at reasonable cost. However, directionally drilling to an orthodox location (1650 feet from the South line of the section) is not desirable because it will increase the well's costs by approximately \$700,000.00, adversely affecting the well's economics.

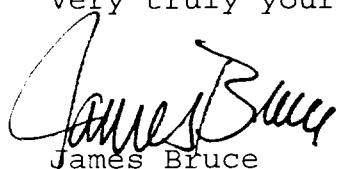
Attached as Exhibit E is a land plat of the area around the well. The lessees of the offsetting well units are as follows:

<u>Well Unit</u>	<u>Lessee</u>
W½ §19 & W½ §30	Santa Fe Energy Resources, Inc. Louis Dreyfus Natural Gas Corp. Southwestern Energy Production Company
E½ §30	Yates Petroleum Corporation Harvard Petroleum Corporation Santa Fe Energy Resources, Inc. Louis Dreyfus Natural Gas Corp. Southwestern Energy Production Company

Notice has been given to the offset lessees by the notice letter marked Exhibit F.

This application is submitted in duplicate. Please call me if you need anything further in this matter.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name GREENSTONE FEDERAL COM	Well Number 1
OGRID No.	Operator Name CHI OPERATING, INC.	Elevation 3658'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
0	19	20 S	34 E		480	SOUTH	1650	EAST	LEA

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 1 40.03 AC.		OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature John W. Qualls Printed Name Geologist Title 2-5-99 Date
LOT 2 40.06 AC.		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 belief. JANUARY 21, 1999 Date Surveyed Signature of Surveyor Professional Surveyor NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 99-11-006 Certificate No. RQUALIN EDISON 3239 CARTER EDISON 12641
LOT 3 40.08 AC.		
LOT 4 40.11 AC.		

DISTRICT I
P.O. Box 1990, Hobbs, NM 88241-1990

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

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Property Code	Property Name GREENSTONE FEDERAL COM	Well Number 1
OGRID No.	Operator Name CHI OPERATING, INC.	Elevation 3658'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	19	20 S	34 E		480	SOUTH	1650	EAST	LEA

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
0	19	20 S	34 E		760	SOUTH	1650	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 1 40.03 AC.	
LOT 2 40.06 AC.	
LOT 3 40.06 AC.	
LOT 4 40.11 AC.	
<div>EXHIBIT B</div>	

OPERATOR CERTIFICATION

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

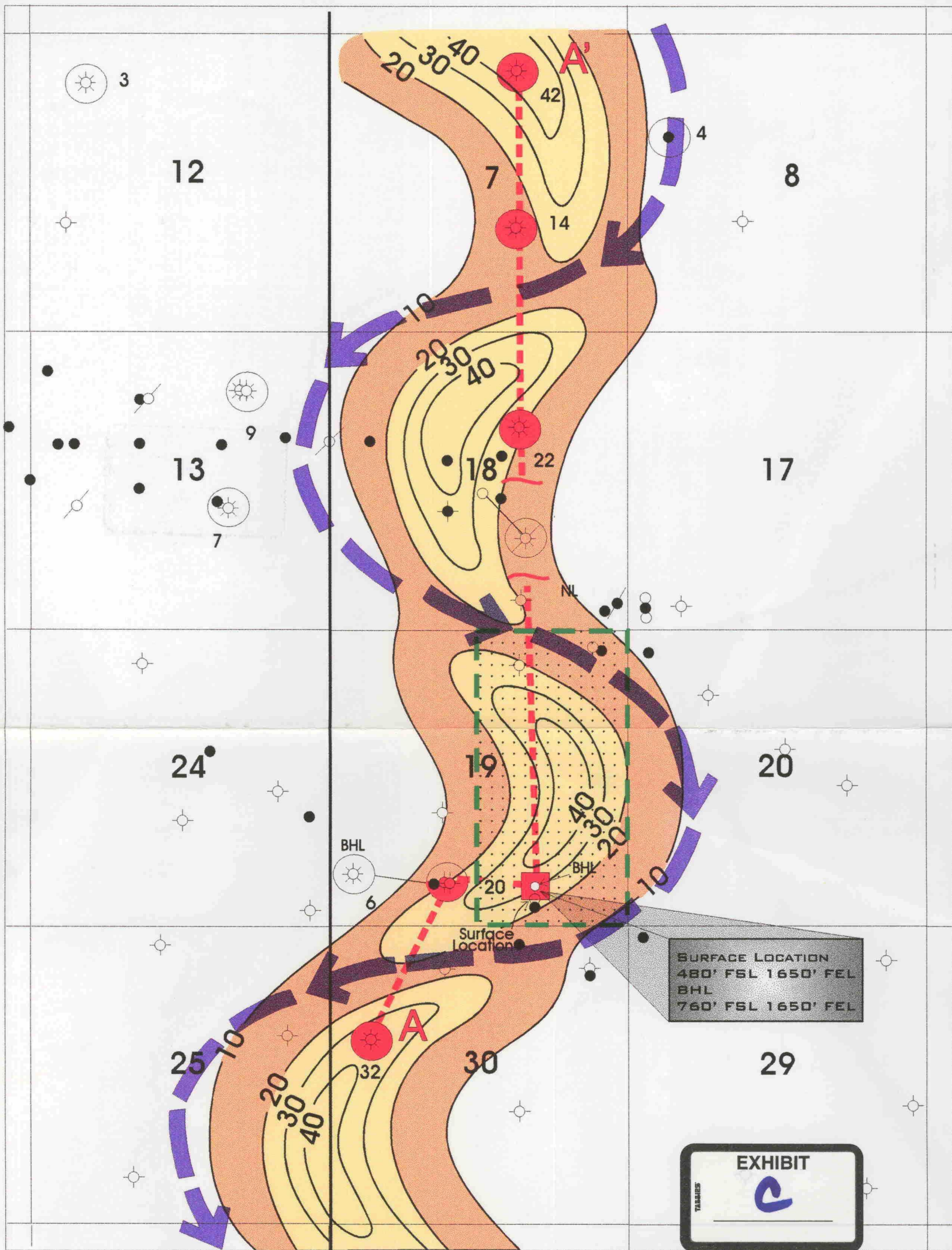
Signature
John W. Qualls
Printed Name
Geologist
Title
2-5-99
Date

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 belief.

JANUARY 21, 1999

Date Surveyed
Signature & Seal of Professional Surveyor
Professional Surveyor
NEW MEXICO
99-11-0045
Certificate No. RONALD J. EDSON 3239
PROFESSIONAL SURVEYOR EDSON 12641



SURFACE LOCATION
480' FSL 1650' FEL
BHL
760' FSL 1650' FEL

EXHIBIT
C

LEGEND:

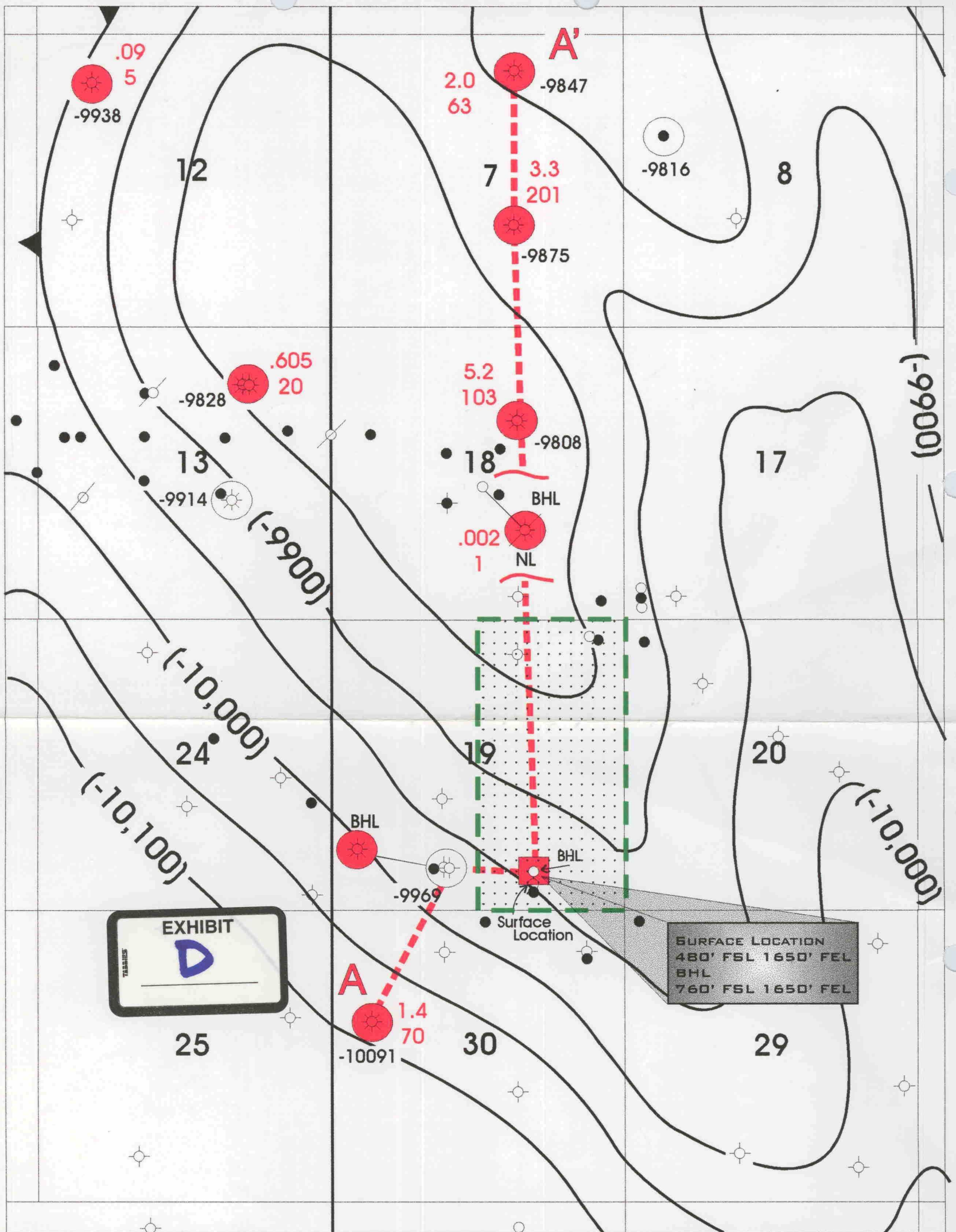
- Chi Energy, Inc. Acreage
- Proposed Location
- Lower Morrow Producer
- Lower Morrow Behind Pipe
- Proposed Proration Unit
- River Meander

Chi Energy, Inc.
CS/Oxy Prospect
Lea County, New Mexico
Isopach Map
Lower Morrow Clastics
Net Clean Sand

Scale: 1" = 2000'

Cl: 10'

11 - 98
Geol: C. Anderson



LEGEND:

- Chi Energy, Inc. Acreage
- Proposed Location
- Morrow Producer
- Proposed Proration Unit

5.4= Gas in BCF
70= Oil in MBO

Chi Energy, Inc.

CS/Oxy Prospect

Lea County, New Mexico

Structure Map

Top Lower Morrow

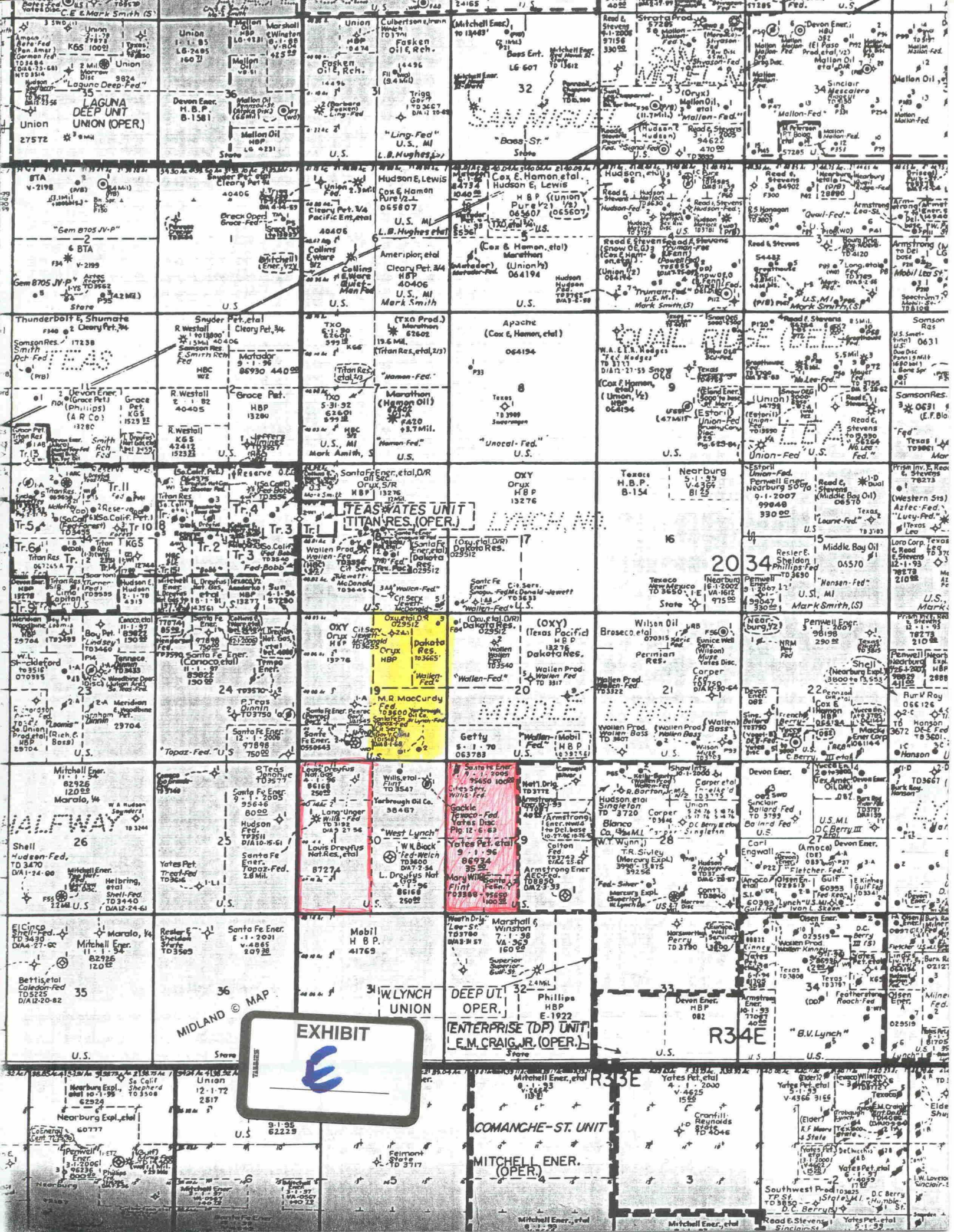
Production Cumulative to 6-98

Scale: 1" = 2000'

Cl: 50'

Geol: C. Anderson

11- 98



JAMES BRUCE

ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

February 15, 1999

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Santa Fe Energy Resources, Inc.
Suite 1330
550 West Texas
Midland, Texas 79701
Attention: Steven J. Smith

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Louis Dreyfus Natural Gas Corp.
Suite 600
14000 Quail Springs Parkway
Oklahoma City, Oklahoma 74134
Attention: Joe W. Hammond

Harvard Petroleum Corp.
P.O. Box 936
Roswell, New Mexico 88202

Southwestern Energy Production Company
Suite 300
2350 North Sam Houston Parkway East
Houston, Texas 77032
Attention: Samuel Glenn Thompson

Dear Sirs:

Enclosed is a copy of an application for administrative approval of an unorthodox gas well location, filed with the New Mexico Oil Conservation Division by Chi Energy, Inc., regarding the E½ of Section 19, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Chi Energy's records indicate that you are an offset lessee to the proposed well. If you object to the application, you must notify the Division in writing no later than Monday, March 8, 1999. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner).

Very truly yours,


James Bruce

Attorney for Chi Energy, Inc.

