

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

August 25, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

RECEIVED

Re: Application of Chi Energy,
Inc. for a Special Gas-Oil,
Ratio Limit for the Old Millman
Ranch-Bone Springs Pool, Eddy
County, New Mexico

AUG 26 1992

OIL CONSERVATION DIVISION

Case 10556

Dear Mr. LeMay:

On behalf of Chi Energy, Inc., please find enclosed our application for a Special Gas-Oil Ratio Limit which we request be set for hearing on the next available Examiner's docket now scheduled for September 17, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Bill Bergman - Chi Energy Inc.

BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED

All Parties Listed on Exhibit "B" of Application

1trt825.623

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

IN THE MATTER OF THE APPLICATION
OF CHI OPERATING, INC. FOR A SPECIAL
GAS-OIL RATIO LIMIT FOR THE OLD
MILLMAN RANCH-BONE SPRINGS
POOL, EDDY COUNTY, NEW MEXICO.

RECEIVED
AUG 25 1992
OIL CONSERVATION DIVISION

CASE NO: 10556

A P P L I C A T I O N

Comes now CHI OPERATING, INC., by its attorneys, KELLAHIN AND KELLAHIN, and applies to the New Mexico Oil Conservation Division for the adoption of Special Rules and Regulations for the Old Millman Ranch-Bone Springs Pool, Eddy County, New Mexico, establishing a limiting gas-oil ratio up to a maximum of 20,000 cubic feet of gas per barrel of oil, and in support states:

(1) The Old Millman Ranch-Bone Springs Pool was established by Division Order R-9545 issued July 1, 1991 and currently consists of the following acreage in Eddy County, New Mexico:

Township 20 South, Range 28 East, NMPM

Section 4: SW/4

Section 5: SE/4

Section 8: NE/4

(2) There currently exists only two wells dedicated to the pool:

(a) Mewbourne Oil Company's Federal V well No. 2, Unit B, Section 8, T20S, R28E, and

(b) Chi Operating, Inc.'s Winchester Federal Well No. 1, Unit H, Section 4, T20S, R28E.

(3) The pool boundary and the wells dedicated to the pool are located on the plat attached hereto as Exhibit A.

(4) The pool was initially created as an oil pool based upon initial data from Strata Production Company's Aquila Federal No. 1 Well, Unit L, Section 4, T20S, R28E which initially produced small volumes of oil from the First Sand Member of the Bone Springs formation which subsequently has been temporarily abandoned in this pool.

(5) Currently available reservoir and geologic evidence, including well performance and production data, supports the conclusion that the gas-oil ratio can be increased in the pool up to a maximum of 20,000 cubic feet of gas per barrel of oil without causing waste of reservoir energy.

(6) There no longer continues to be any material benefit to conserve energy in the reservoir by limiting the GOR to the statewide 2,000 to 1.

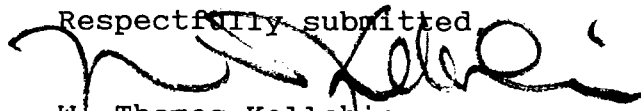
(7) The pool wells are currently restricted as a result of the statewide GOR limitation and operators are experiencing economic hardship and further drilling has been discouraged.

(8) The operators and interest owners within the pool and the operators within one mile of the outer boundary of the pool who are entitled to notice of this application are set forth on Exhibit B attached hereto.

(9) Applicant requests that this application be set for hearing at the next available examiner's docket now scheduled for September 17, 1992.

WHEREFORE, Applicant requests that after notice and hearing as required, the Division grant this application as requested.

Respectfully submitted



W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
ATTORNEYS FOR APPLICANT

EXHIBIT "A"

[illegible]

EXHIBIT "B"

**Notifications
Old Millman Ranch Field
Names and Addresses**

Mewbourne Oil Company
P. O. Box 7698
Tyler, TX 75711

Mitchell Energy Corporation
200 North Loraine, Suite 1000
Midland, TX 79701

OXY USA, Inc.
P. O. Box 50250
Midland, TX 79710

Maralo, Inc.
223 West Wall, Suite 900
Midland, TX 79701

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Snyder Oil Corporation
777 Main Street, Suite 2500
Fort Worth, TX 76102

Strata Production Company
648 Petroleum Bldg.
Roswell, NM 88201

Arco Oil and Gas Company
P. O. Box 1610
Midland, TX 79702

Penroc Oil Corporation
P. O. Box 5970
Hobbs, NM 88241

Devon Energy Corp.
20 North Broadway, Suite 1500
Oklahoma City, OK 73102

Parker & Parsley Petroleum Co.
600 W. Illinois, Suite 103
Midland, TX 79701

Soutland Royalty Company
P. O. Box 2726
Midland, TX 79702

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, TX 79702

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

RECEIVED

AUG 20 1992

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF CHI OPERATING, INC. FOR A SPECIAL
GAS-OIL RATIO LIMIT FOR THE OLD
MILLMAN RANCH-BONE SPRINGS
POOL, EDDY COUNTY, NEW MEXICO.

CASE NO: 12556

A P P L I C A T I O N

Comes now CHI OPERATING, INC., by its attorneys,
KELLAHIN AND KELLAHIN, and applies to the New Mexico Oil
Conservation Division for the adoption of Special Rules
and Regulations for the Old Millman Ranch-Bone Springs
Pool, Eddy County, New Mexico, establishing a limiting
gas-oil ratio up to a maximum of 20,000 cubic feet of gas
per barrel of oil, and in support states:

(1) The Old Millman Ranch-Bone Springs Pool was
established by Division Order R-9545 issued July 1, 1991
and currently consists of the following acreage in Eddy
County, New Mexico:

Township 20 South, Range 28 East, NMPM

Section 4: SW/4

Section 5: SE/4

Section 8: NE/4

(2) There currently exists only two wells dedicated to the pool:

(a) Mewbourne Oil Company's Federal V well No. 2, Unit B, Section 8, T20S, R28E, and

(b) Chi Operating, Inc.'s Winchester Federal Well No. 1, Unit H, Section 4, T20S, R28E.

(3) The pool boundary and the wells dedicated to the pool are located on the plat attached hereto as Exhibit A.

(4) The pool was initially created as an oil pool based upon initial data from Strata Production Company's Aquila Federal No. 1 Well, Unit L, Section 4, T20S, R28E which initially produced small volumes of oil from the First Sand Member of the Bone Springs formation which subsequently has been temporarily abandoned in this pool.

(5) Currently available reservoir and geologic evidence, including well performance and production data, supports the conclusion that the gas-oil ratio can be increased in the pool up to a maximum of 20,000 cubic feet of gas per barrel of oil without causing waste of reservoir energy.

(6) There no longer continues to be any material benefit to conserve energy in the reservoir by limiting the GOR to the statewide 2,000 to 1.

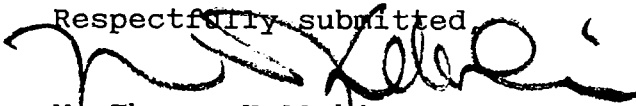
(7) The pool wells are currently restricted as a result of the statewide GOR limitation and operators are experiencing economic hardship and further drilling has been discouraged.

(8) The operators and interest owners within the pool and the operators within one mile of the outer boundary of the pool who are entitled to notice of this application are set forth on Exhibit B attached hereto.

(9) Applicant requests that this application be set for hearing at the next available examiner's docket now scheduled for September 17, 1992.

WHEREFORE, Applicant requests that after notice and hearing as required, the Division grant this application as requested.

Respectfully submitted,



W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
ATTORNEYS FOR APPLICANT

EXHIBIT "B"

**Notifications
Old Millman Ranch Field
Names and Addresses**

Mewbourne Oil Company
P. O. Box 7698
Tyler, TX 75711

Mitchell Energy Corporation
200 North Loraine, Suite 1000
Midland, TX 79701

OXY USA, Inc.
P. O. Box 50250
Midland, TX 79710

Maralo, Inc.
223 West Wall, Suite 900
Midland, TX 79701

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Snyder Oil Corporation
777 Main Street, Suite 2500
Fort Worth, TX 76102

Strata Production Company
648 Petroleum Bldg.
Roswell, NM 88201

Arco Oil and Gas Company
P. O. Box 1610
Midland, TX 79702

Penroc Oil Corporation
P. O. Box 5970
Hobbs, NM 88241

Devon Energy Corp.
20 North Broadway, Suite 1500
Oklahoma City, OK 73102

Parker & Parsley Petroleum Co.
600 W. Illinois, Suite 103
Midland, TX 79701

Soutland Royalty Company
P. O. Box 2726
Midland, TX 79702

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, TX 79702

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

August 25, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Application of Chi Energy,
Inc. for a Special Gas-Oil,
Ratio Limit for the Old Millman
Ranch-Bone Springs Pool, Eddy
County, New Mexico

RECEIVED

AUG 25 1992

OIL CONSERVATION DIVISION

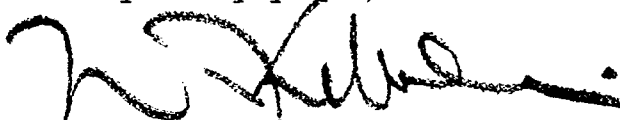
Case 10556

Dear Mr. LeMay:

On behalf of Chi Energy, Inc., please find enclosed our application for a Special Gas-Oil Ratio Limit which we request be set for hearing on the next available Examiner's docket now scheduled for September 17, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Bill Bergman - Chi Energy Inc.

BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED

All Parties Listed on Exhibit "B" of Application

ltrt825.623

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

IN THE MATTER OF THE APPLICATION
OF CHI OPERATING, INC. FOR A SPECIAL
GAS-OIL RATIO LIMIT FOR THE OLD
MILLMAN RANCH-BONE SPRINGS
POOL, EDDY COUNTY, NEW MEXICO.

CASE NO: 10556

A P P L I C A T I O N

Comes now CHI OPERATING, INC., by its attorneys, KELLAHIN AND KELLAHIN, and applies to the New Mexico Oil Conservation Division for the adoption of Special Rules and Regulations for the Old Millman Ranch-Bone Springs Pool, Eddy County, New Mexico, establishing a limiting gas-oil ratio up to a maximum of 20,000 cubic feet of gas per barrel of oil, and in support states:

(1) The Old Millman Ranch-Bone Springs Pool was established by Division Order R-9545 issued July 1, 1991 and currently consists of the following acreage in Eddy County, New Mexico:

Township 20 South, Range 28 East, NMPM

Section 4: SW/4

Section 5: SE/4

Section 8: NE/4

(2) There currently exists only two wells dedicated to the pool:

(a) Mewbourne Oil Company's Federal V well No. 2, Unit B, Section 8, T20S, R28E, and

(b) Chi Operating, Inc.'s Winchester Federal Well No. 1, Unit H, Section 4, T20S, R28E.

(3) The pool boundary and the wells dedicated to the pool are located on the plat attached hereto as Exhibit A.

(4) The pool was initially created as an oil pool based upon initial data from Strata Production Company's Aquila Federal No. 1 Well, Unit L, Section 4, T20S, R28E which initially produced small volumes of oil from the First Sand Member of the Bone Springs formation which subsequently has been temporarily abandoned in this pool.

(5) Currently available reservoir and geologic evidence, including well performance and production data, supports the conclusion that the gas-oil ratio can be increased in the pool up to a maximum of 20,000 cubic feet of gas per barrel of oil without causing waste of reservoir energy.

(6) There no longer continues to be any material benefit to conserve energy in the reservoir by limiting the GOR to the statewide 2,000 to 1.

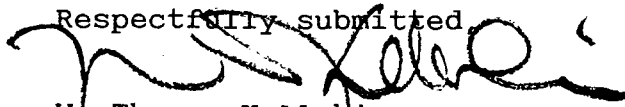
(7) The pool wells are currently restricted as a result of the statewide GOR limitation and operators are experiencing economic hardship and further drilling has been discouraged.

(8) The operators and interest owners within the pool and the operators within one mile of the outer boundary of the pool who are entitled to notice of this application are set forth on Exhibit B attached hereto.

(9) Applicant requests that this application be set for hearing at the next available examiner's docket now scheduled for September 17, 1992.

WHEREFORE, Applicant requests that after notice and hearing as required, the Division grant this application as requested.

Respectfully submitted



W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
ATTORNEYS FOR APPLICANT

EXHIBIT "A"

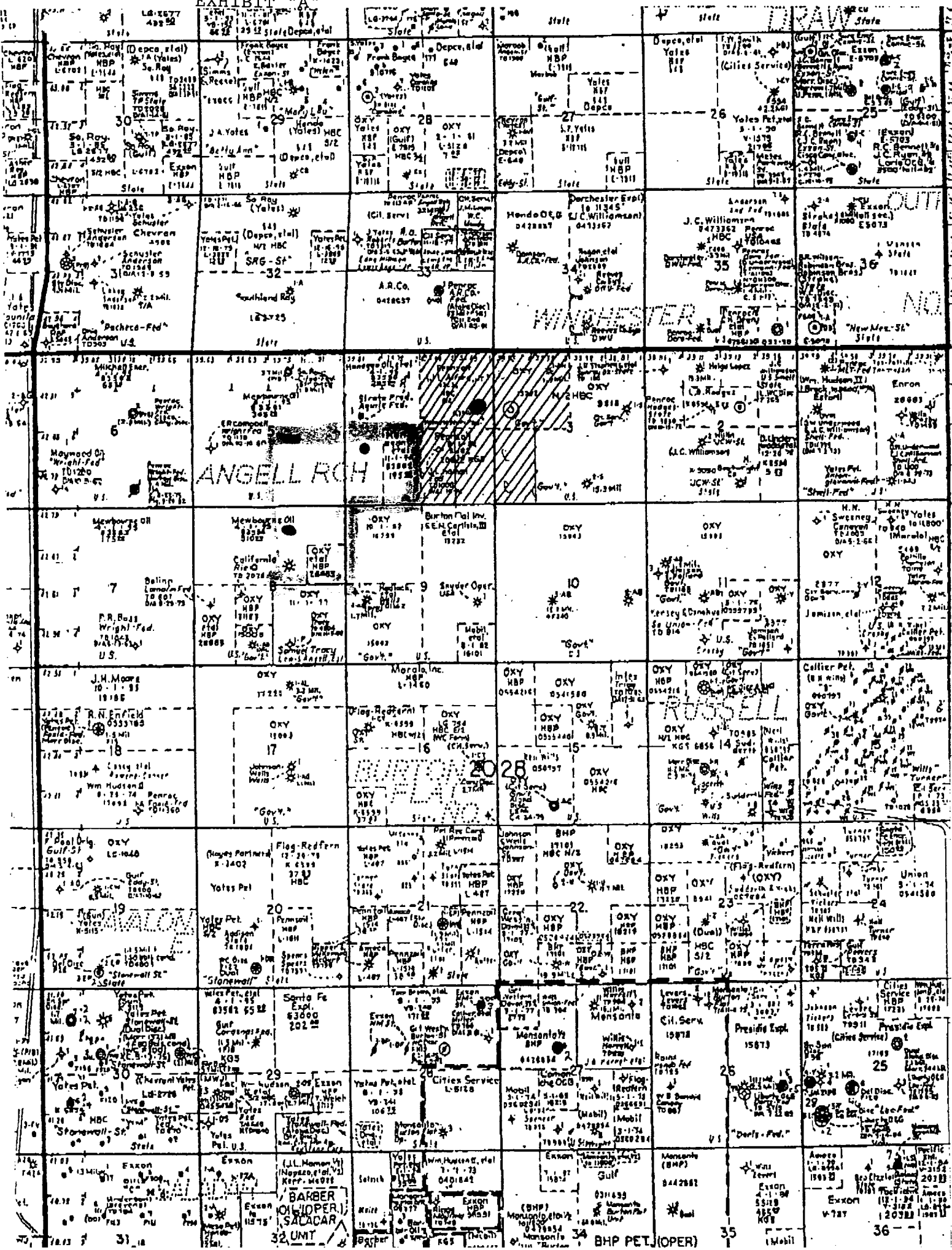


EXHIBIT "B"

**Notifications
Old Millman Ranch Field
Names and Addresses**

Mewbourne Oil Company
P. O. Box 7698
Tyler, TX 75711

Mitchell Energy Corporation
200 North Loraine, Suite 1000
Midland, TX 79701

OXY USA, Inc.
P. O. Box 50250
Midland, TX 79710

Maralo, Inc.
223 West Wall, Suite 900
Midland, TX 79701

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Snyder Oil Corporation
777 Main Street, Suite 2500
Fort Worth, TX 76102

Strata Production Company
648 Petroleum Bldg.
Roswell, NM 88201

Arco Oil and Gas Company
P. O. Box 1610
Midland, TX 79702

Penroc Oil Corporation
P. O. Box 5970
Hobbs, NM 88241

Devon Energy Corp.
20 North Broadway, Suite 1500
Oklahoma City, OK 73102

Parker & Parsley Petroleum Co.
600 W. Illinois, Suite 103
Midland, TX 79701

Soutland Royalty Company
P. O. Box 2726
Midland, TX 79702

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, TX 79702

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

August 25, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Application of Chi Energy,
Inc. for a Special Gas-Oil,
Ratio Limit for the Old Millman
Ranch-Bone Springs Pool, Eddy
County, New Mexico

Dear Mr. LeMay:

On behalf of Chi Energy, Inc., please find enclosed our application for a Special Gas-Oil Ratio Limit which we request be set for hearing on the next available Examiner's docket now scheduled for September 17, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Bill Bergman - Chi Energy Inc.

BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED

All Parties Listed on Exhibit "B" of Application

1trt825.623