

2203 Timberloch Place,
Ste. 229

ZIA ENERGY, INC.

The Woodlands, TX 77380

PHONE (281) 296-7222

July 21, 2004

RECEIVED

JUL 22 2004

OIL CONSERVATION
DIVISION

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

Dear Mr. Stogner,

Zia Energy, Inc. requests administrative approval for an unorthodox oil well location for the following well:

Well: Grizzell #4
Location: 1140 feet FSL & 2160 feet FEL
Well Unit: Unit O, Section 5, T22S, R37E, Lea County, NM

The well will be drilled to 5400' to test the San Andres formation (Eunice San Andres – SW 24180). This application is a result of a Sid Richardson gas pipeline and a Rice Operating Company water pipeline prohibiting the drilling at our desired 990 FSL & 2310 FEL location (see attached plat).

Zia Energy's Grizzell lease includes the "J" and "O" unit positions of Section 5, T22S, R37E (attached map). The ownership to the San Andres formation is common across the units' boundary so moving the location to the North 150 feet from the legal location does not encroach on any parties.

Zia Energy also produces the Grizzell #3 from the San Andres in the "O" unit so the Grizzell #4 will be a subsequent well to the unit. My understanding after discussions with David Catanach on 7/19/04 is that a request is not required to drill/produce a subsequent well on the same proration unit. Due to the production rate of the Grizzell #3 and the expected rate from the Grizzell #4, we do not anticipate any allowable issues.

If you have any questions or need additional information, please call me at (281) 296-1645 or email me at ddotson@plantationpetro.com.

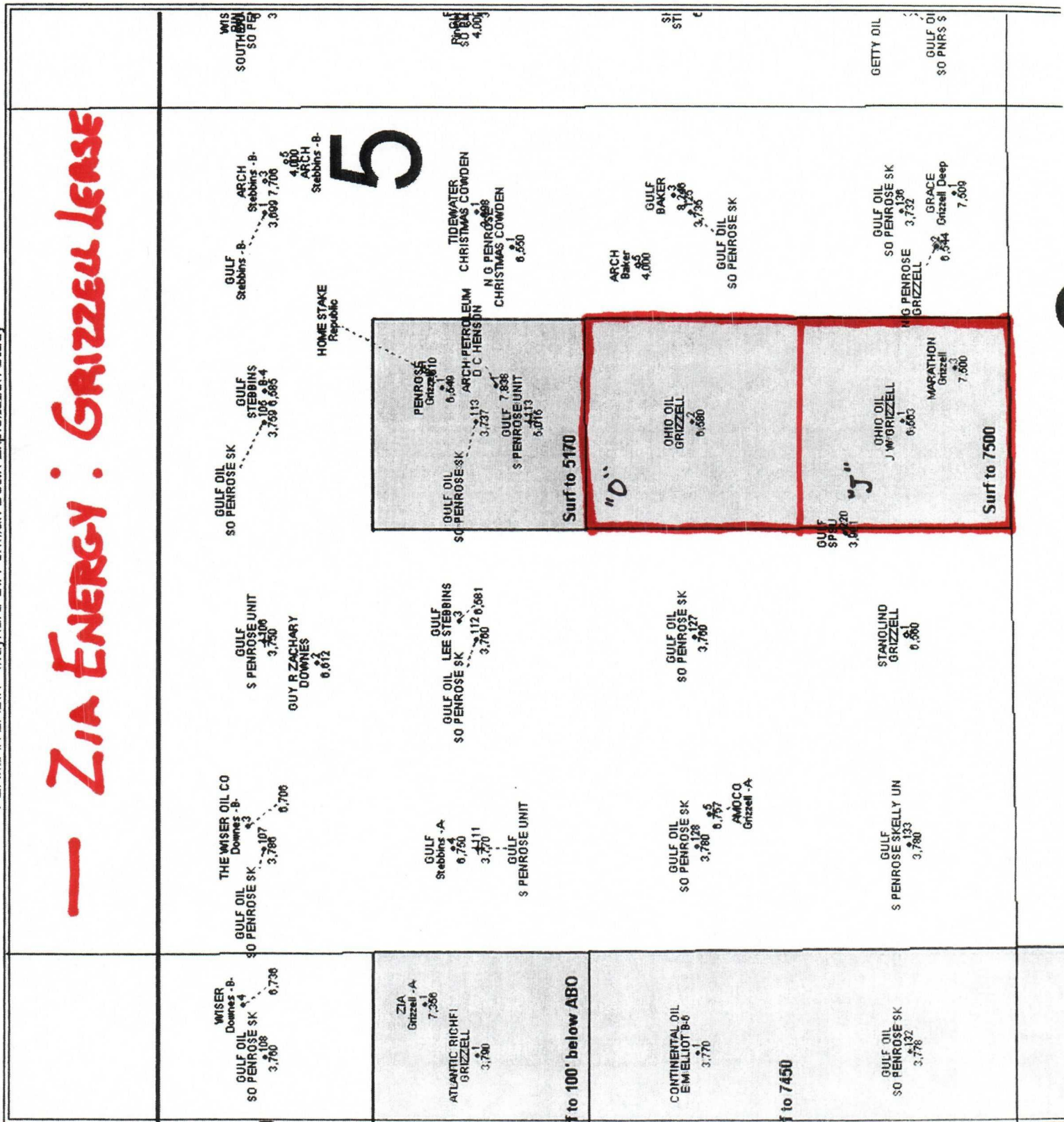
Sincerely,



Don Dotson
COO – Zia Energy

Attachments

— ZIA ENERGY: GRIZZELL LEASE



5 225-37E

Submit 3 Copies to Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Geology, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30 -
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Grizzell
8. Well Number 4
9. OGRID Number 025616
10. Pool name or Wildcat Prop. Pool 1 - Eunice San Andres - SW

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	
2. Name of Operator Zia Energy, Inc.	
3. Address of Operator 2203 Timberloch, Suite 229, The Woodlands, TX 77380	
4. Well Location Unit Letter <u>O</u> : <u>1140</u> feet from the <u>South</u> line and <u>2,160</u> feet from the <u>East</u> line Section <u>5</u> Township <u>22S</u> Range <u>37</u> NMPM, County <u>Lea</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____	
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Requesting change of proposed depth on well from 5,000' to 5,400' on APD filed on 3/15/2004.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE _____ TITLE Manager DATE 7/13/2004
Type or print name Sean Keenan E-mail address: skeenan@plantationpetro.com Telephone No. (281)296-7222
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
Conditions of Approval (if any): _____

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: ZIA ENERGY INC. Telephone: 281-296-7666 e-mail address: keconinc@ad.com
Address: 2203 Timberloch Place Suite 229 THE Woodlands, TX 77380
Facility or well name: GR122011 #4 API #: _____ U/L or Qtr/Qtr 0 Sec 5 T 225R 37E
County: LEA Latitude 32 N Longitude 103 W NAD: 1927 ☐ 1983 ☒ Surface Owner Federal ☐ State ☒ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 20 mil Clay ☐ Volume
6000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

0

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 3-15-04

Printed Name/Title GENE LEE / Agent

Signature G. E. Lee

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: _____

Printed Name/Title _____

Signature _____

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

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

¹ Operator Name and Address Zia Energy, Inc. 2203 Timberloch Place, Suite 229 The Woodlands, TX 77380		² OGRID Number 025616
		³ API Number 30 -
³ Property Code	⁵ Property Name Grizzell	⁶ Well No. 4

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
O	5	22S	37E		1140'	South	2160'	East	Lea

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 Pool 1 Eunice San Andres - SW (24180)						¹⁰ Proposed Pool 2			

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3423'
¹⁶ Multiple NO	¹⁷ Proposed Depth 5000'	¹⁸ Formation San Andres	¹⁹ Contractor Unknown	²⁰ Spud Date When Approved

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
25"	20"	Conductor	40'	Redi-mix	Surface
12-1/4"	8-5/8"	32	1200'	585	Surface
7-7/8"	5-1/2"	15.5	5000'	610	1000' from surface

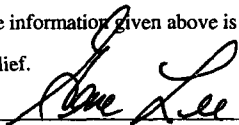
²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone.

Describe the blowout prevention program, if any. Use additional sheets if necessary.

1. Drill 25" hole to 40'. Set 40' of 20" conductor and cement to surface with Redi-mix.
2. Drill 12-1/4" hole to 1200'. Run and set 1200' of 8-5/8" 32# J-55 ST&C casing. Circulate cement to surface.
3. Drill 7-7/8" hole to 5000'. Run and set 5000' of 5-1/2" 15.5# J-55 ST&C casing. Estimate top of cement 1000' from surface.
4. BOP Diagram attached. 3000 psi WP double ram BOP's will be utilized and tested daily.
5. FW & native mud to be used in the surface hole. Brine water will be used to drill the 7 7/8" hole.

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

Signature:



Printed name: Gene Lee

Title: Agent

E-mail Address: leeconinc@aol.com

Date: 3-15-04

Phone: 505-626-4292

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

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

API Number	Pool Code	Pool Name
Property Code	Property Name GRIZZELL	Well Number 4
OGRID No.	Operator Name ZIA ENERGY, INC.	Elevation 3423'

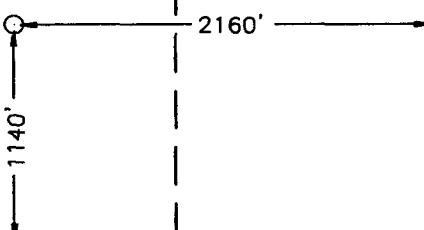
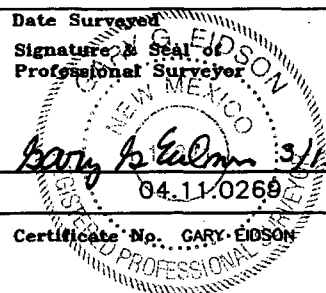
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	5	22-S	37-E		1140	SOUTH	2160	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.						

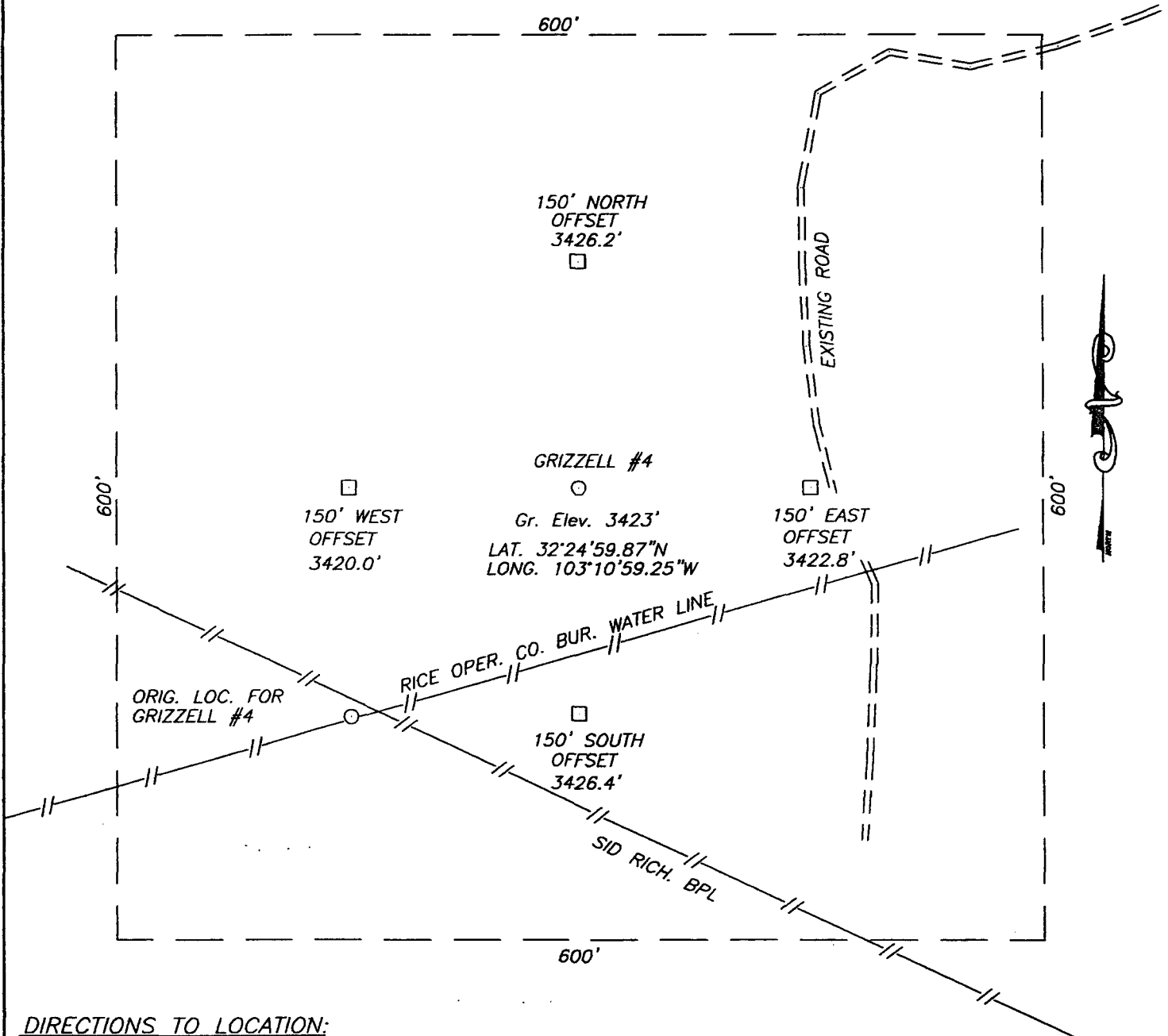
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 4	LOT 3	LOT 2	LOT 1
40.28 AC	40.18 AC	40.09 AC	38.99 AC
<u>GEODETC COORDINATES</u> NAD 27 NME Y = 517194.7 N X = 854947.3 E LAT. 32°24'59.87"N LONG. 103°10'59.25"W			
			
OPERATOR CERTIFICATION <i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature _____ Printed Name _____ Title _____ Date _____			
SURVEYOR CERTIFICATION <i>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.</i> March 09, 2004 Date Surveyed _____ A.W.B. Signature & Seal of Professional Surveyor  Certificate No. GARY EIDSON 12641			

SECTION 5, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,

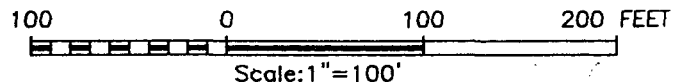
LEA COUNTY,

NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE INTERSECTION OF STATE HWY #18 AND DELAWARE BASIN ROAD GO 2.5 MILES SOUTH OF EUNICE N.M. TURN WEST ON DELAWARE BASIN ROAD AND GO 1.0 MILES. TURN RIGHT ON PAVED ROAD (NORTH) AND GO 1.15 MILES. TURN LEFT ONTO A CALICHE ROAD CONTINUE ALONG MEANDERING ROAD FOR 0.4 MILES. STAY LEFT AT (Y) AND GO SOUTH 0.1 MILES. THIS LOCATION WHICH IS APPROX. 150' EAST.



ZIA ENERGY, INC.

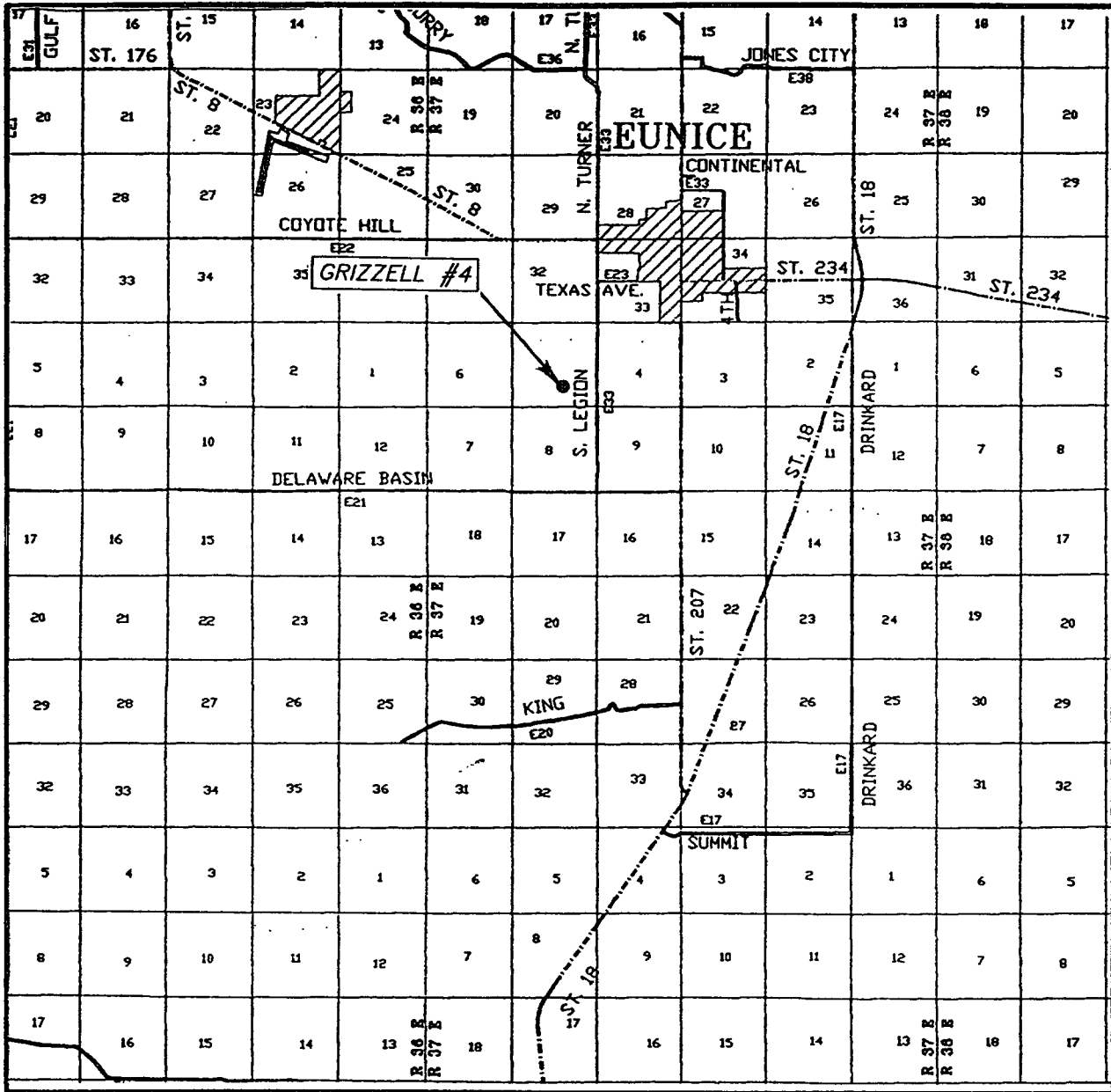
THE GRIZZELL #4 LOCATED
1140' FROM THE SOUTH LINE AND 2160' FROM THE EAST LINE
OF SECTION 5, TOWNSHIP 22 SOUTH, RANGE 37 EAST,
LEA COUNTY, NEW MEXICO

Survey Date: 03/09/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.0269	DRAWN BY: A.W.B
Date: 03/11/03	DISK: CD#10
04.11.0269	Scale: 1"=100'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

VICINITY MAP

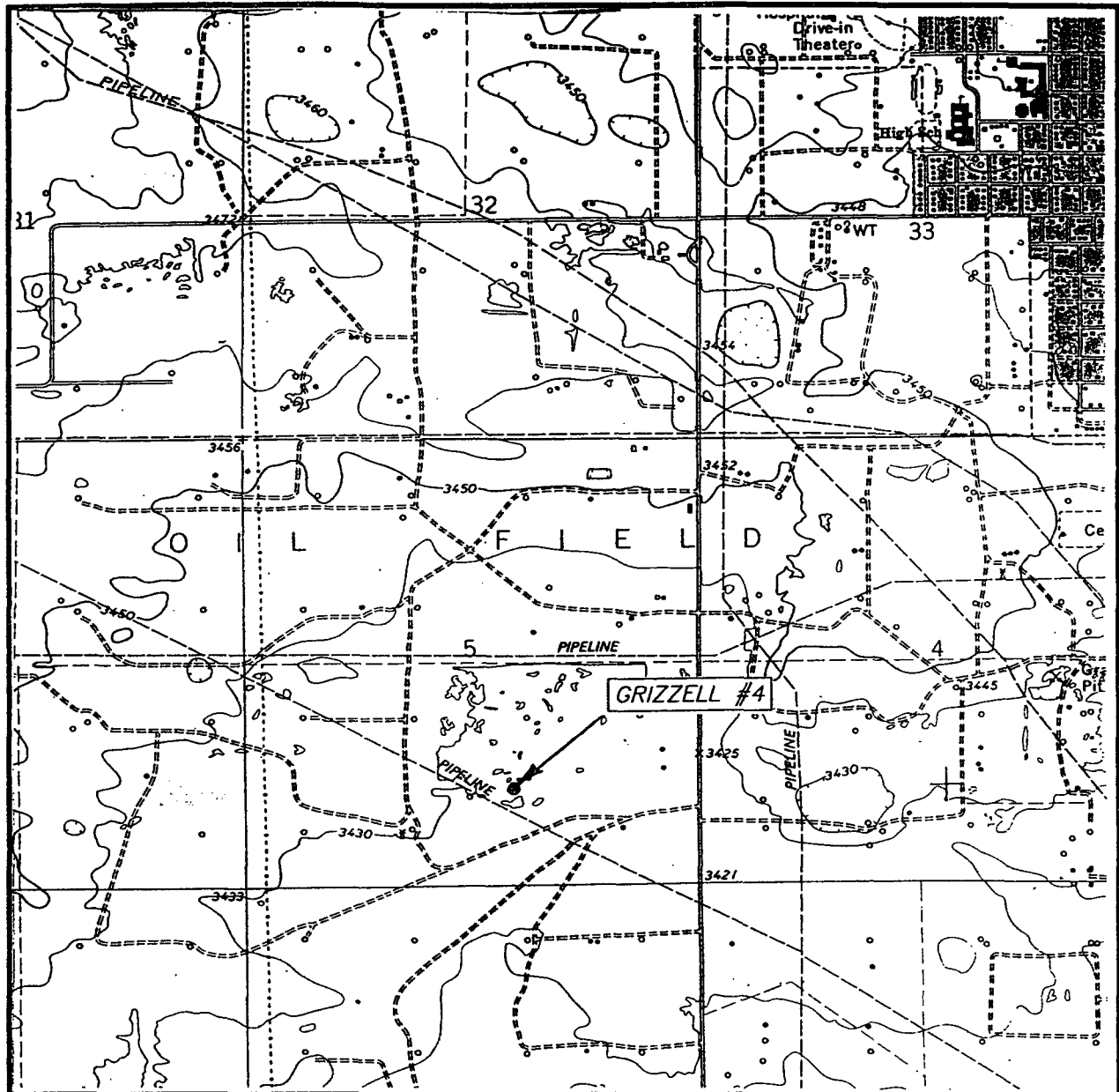


SCALE: 1" = 2 MILES

SEC. 5 TWP. 22-S RGE. 37-E
 SURVEY N.M.P.M.
 COUNTY LEA
 DESCRIPTION 1140' FSL & 2160' FEL
 ELEVATION 3423'
 OPERATOR ZIA ENERGY, INC.
 LEASE GRIZZELL

JOHN WEST SURVEYING
 HOBBS, NEW MEXICO
 (505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

EUNICE N.M.

SEC. 5 TWP. 22-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1140' FSL & 2160' FEL

ELEVATION 3423'

OPERATOR ZIA ENERGY, INC.

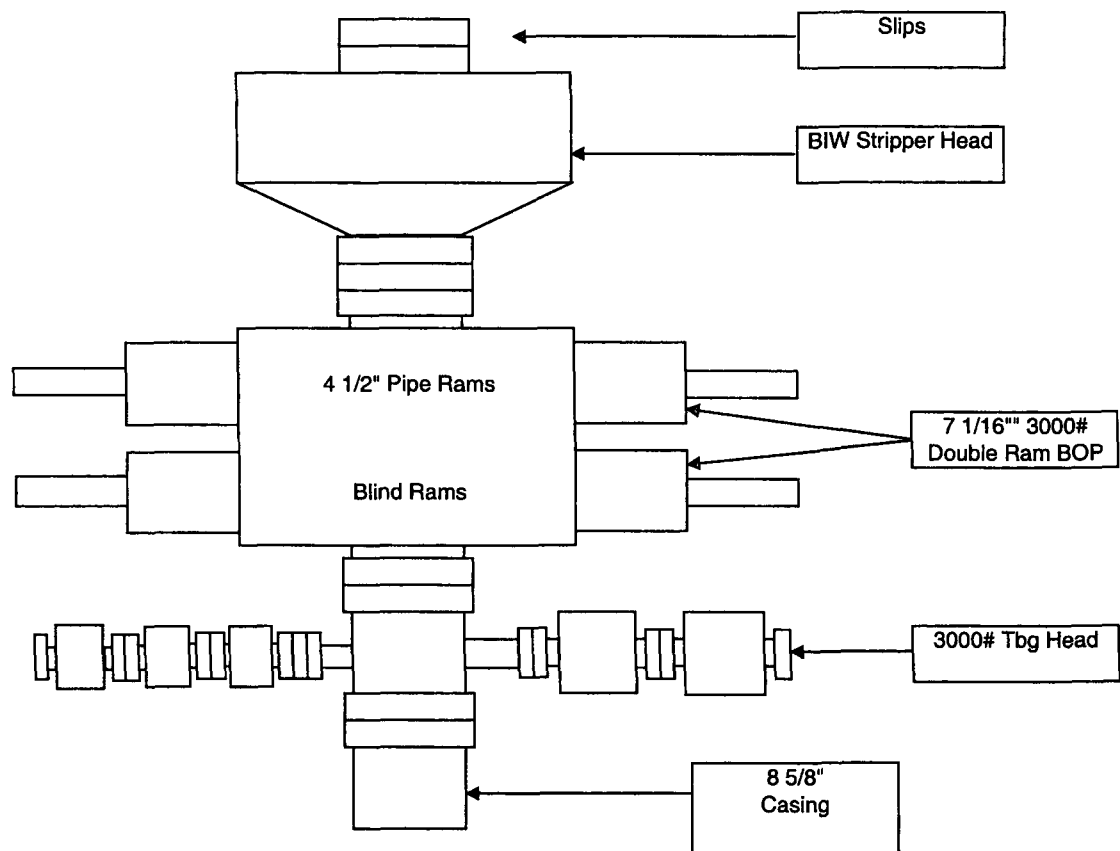
LEASE GRIZZELL

U.S.G.S. TOPOGRAPHIC MAP

EUNICE N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Zia Energy, Inc
Grizzell #4
BOP Diagram
3000 psi WP



CMD : ONGARD 07/22/04 13:04:06
 OG6IWCN INQUIRE WELL COMPLETIONS OGOMES -TPHW

API Well No : 30 25 27185 Eff Date : 01-01-1991 WC Status : A
 Pool Idn : 24180 EUNICE;SAN ANDRES, SOUTHWEST
 OGRID Idn : 25616 ZIA ENERGY INC
 Prop Idn : 13029 GRIZZELL

Well No : 003
 GL Elevation: 99999

U/L Sec Township Range North/South East/West Prop/Act (P/A)

 B.H. Locn : O 5 22S 37E FTG 330 F S FTG 1650 F E P
 Lot Identifier:
 Dedicated Acre:
 Lease Type : P
 Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll
 PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
 PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD :
OG6IPRD INQUIRE PRODUCTION BY POOL/Well

07/22/04 13:04:20
OGOMES -TPHW
Page No: 1

OGRID Identifier : 25616 ZIA ENERGY INC
Pool Identifier : 24180 EUNICE,SAN ANDRES, SOUTHWEST
API well No : 30 25 27185 Report Period - From : 01 2004 To : 06 2004

API well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30	25 27185 GRIZZELL	01 04 31	1762	20 3251 P
30	25 27185 GRIZZELL	02 04 26	1144	7 3251 P
30	25 27185 GRIZZELL	03 04 10	531	3 3251 P
30	25 27185 GRIZZELL	04 04 30	2088	20 3251 P

Reporting Period Total (Gas, Oil) : 5525 50 13004

M0025: Enter PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

Well Selection Criteria Quick Print

(Field_No = 13029)

API Well #	Well Name and No.	Operator Name	Typ	Stat	County	Surf	UL	Sec	Twp	Rng	Ft N/S	Ft E/W	UICPrnt
30-025-10067-00-00	GRIZZELL	ZIA ENERGY INC	O	A	Lea	P	J	5	22 S	37 E	1980 S	1980 E	DHC-253
30-025-10067-00-00	GRIZZELL	ZIA ENERGY INC	O	A	Lea	P	J	5	22 S	37 E	1980 S	1980 E	DHC-253
30-025-27185-00-00	GRIZZELL	ZIA ENERGY INC	G	A	Lea	P	O	5	22 S	37 E	330 S	1650 E	DHC-348
30-025-10066-00-00	GRIZZELL	ZIA ENERGY INC	O	A	Lea	P	O	5	22 S	37 E	660 S	1980 E	