

DATE IN 3/31/05	SUSPENSE 4-20-05	ENGINEER Stagner	LOGGED IN 4.1.05	TYPE NSP	APP NO. DSEM0509127632
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
☐ NSL ☒ NSP ☐ 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

[D] Other: Specify _____

[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] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

JAMES BRUCE
 PO BOX 1056
 SANTA FE NM 87504

Print or Type Name

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Signature

Title

Date

e-mail Address

2005 MAR 31 PM 3 41

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

March 31, 2005

Hand delivered

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

Dear Mr. Stogner:

Pursuant to Division Rule 104.D(2), Chi Energy, Inc. applies for approval of a non-standard gas spacing and proration unit for the following well:

<u>Well:</u>	Mesa Oro "34" State Well No. 1
<u>Well unit:</u>	SE¼ of Section 34, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico

The well will be drilled to a depth sufficient to test the Strawn and Morrow formations (Undesignated Happy Valley-Strawn Gas Pool and Undesignated Happy Valley-Morrow Gas Pool).¹ Applicant requests non-standard unit approval in both formations. The pools are spaced on statewide rules, with 320 acre spacing, and wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line.

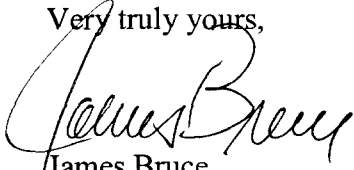
Attached as Exhibit A is a land plat of part of 21S-26E. The NE¼ of Section 34 is unleased federal land. Under (federal) Public Land Order 5115, the NE¼ of Section 34 is not open for mineral leasing (the surface is part of the Living Desert State Park). In addition, the W½ of Section is dedicated, in the Strawn and Morrow formations, to the State "Q" Com. Well No. 1, located in the NW¼SW¼ of Section 34. Therefore, applicant cannot form a standard S½ well unit.

¹ The well will be directionally drilled from a location in the N½ §3-22S-26E to an orthodox location in the SE¼ §34-21S-26E.

Notice of this application has been given to the Bureau of Land Management (the only affected interest owner), and a copy of the notice letter is attached as Exhibit B.

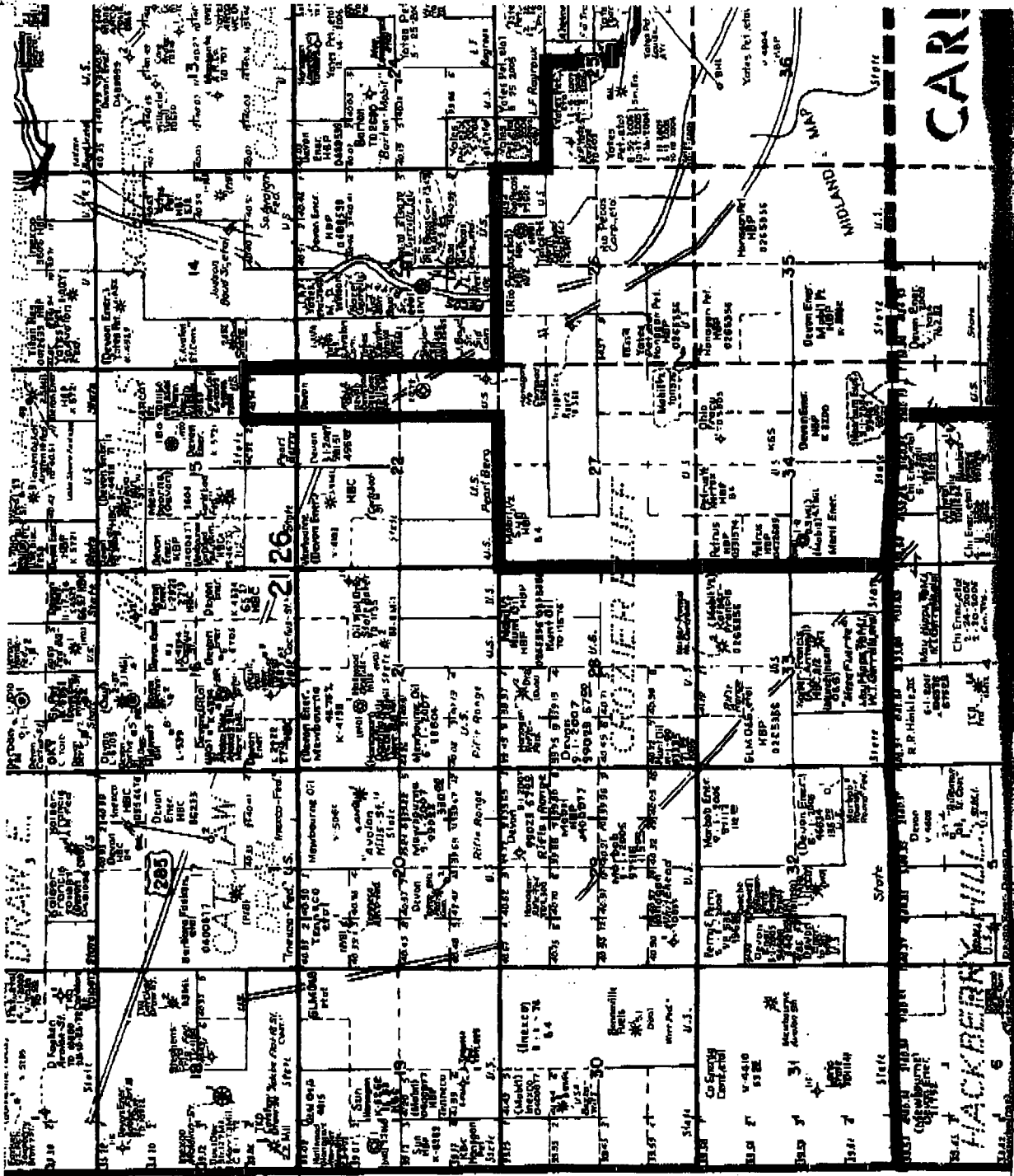
Please contact me if you need any further information on this application.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for Chi Energy, Inc.



JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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jamesbruce@aol.com

March 31, 2005

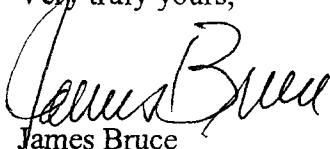
CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Bureau of Land Management
2909 West Second Street
Roswell, New Mexico 88201

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard gas spacing and proration unit, filed with the New Mexico Oil Conservation Division by Chi Energy, Inc., regarding the SE¼ of Section 34, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. If you object to the application, you must notify the Division, in writing, no later than Wednesday, April 20, 2005. The Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Failure to object will preclude you from contesting this matter at a latter date.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.



CMD :
OGSSECT

ONGARD
INQUIRE LAND BY SECTION

04/13/05 10:31:07
OGOMES -TQAY
PAGE NO: 1

Sec : 34 Twp : 21S Rng : 26E Section Type : NORMAL

D 40.00 NMSH OPEN C R	C 40.00 Federal owned C	B 40.00 Federal owned A	A 40.00 Federal owned
E 40.00 NMSH OPEN C R 04/29/94	F 40.00 Federal owned C	G 40.00 Federal owned	H 40.00 Federal owned
L 40.00 CS K03200 0002 DEVON ENERGY PROD C 04/16/73 P	K 40.00 CS K03200 0002 DEVON ENERGY PROD C 04/16/73	J 40.00 CS K03200 0002 DEVON ENERGY PROD 04/16/73	I 40.00 CS K03200 0002 DEVON ENERGY PROD 04/16/73
M 40.00 CS K03200 0002 DEVON ENERGY PROD C 04/16/73	N 40.00 CS K03200 0002 DEVON ENERGY PROD C 04/16/73	O 40.00 CS K03200 0002 DEVON ENERGY PROD 04/16/73	P 40.00 CS K03200 0002 DEVON ENERGY PROD 04/16/73

County Eddy

Pool Happy Valley - Strawn Gas

TOWNSHIP 21 South

Range 26 East

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: $\frac{5}{2}$ Sec 33 (R-5609, 1-1-78)

Ext. $\frac{1}{2}$ Sec. 34 (R-10159, 7-26-94) Ext; All Sec. 32 (R-10713, 11-26-96)

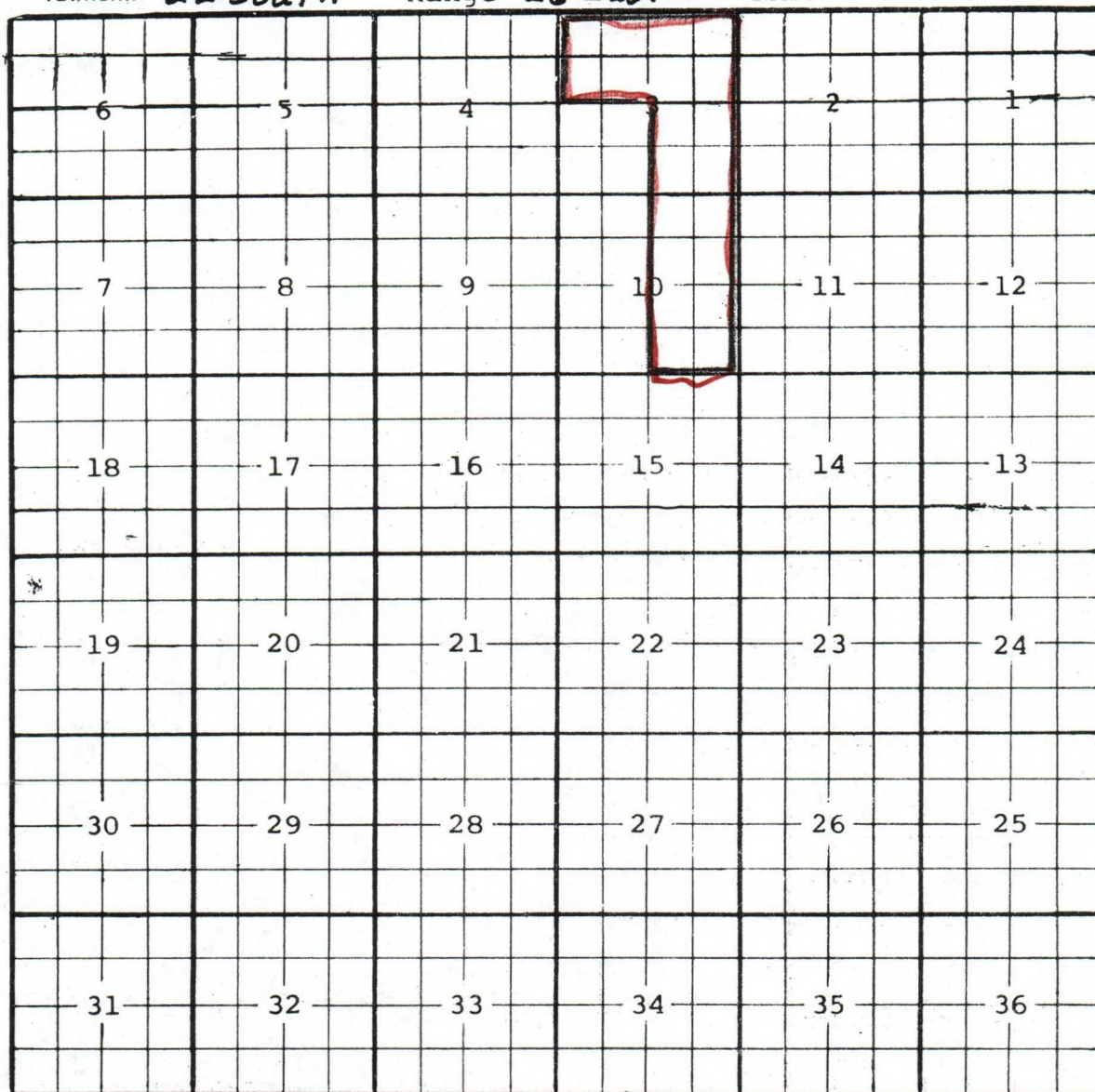
County Eddy

Pool Happy Valley-Strawn Gas

TOWNSHIP 22 South

Range 26 East

NMPM



Description: $\frac{E}{2}$ and $\frac{NW}{4}$ Sec. 3, $\frac{E}{2}$ Sec. 10 (A-12153, 6-7-04)

County Eddy

Pool Happy Valley-Morrow Gas

TOWNSHIP 21 South

Range 26 East

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: All Sec 33, $\frac{1}{2}$ Sec 34 (R-5609, 1-1-78)

County Eddy Pool Happy Valley-Morrow Gas

TOWNSHIP 22 South Range 25 East NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext: $\frac{5}{2}$ Sec. 13 (R-11062, 10-20-98) Ext: $\frac{5}{2}$ Sec. 24 (R-11678, 10-23-01)

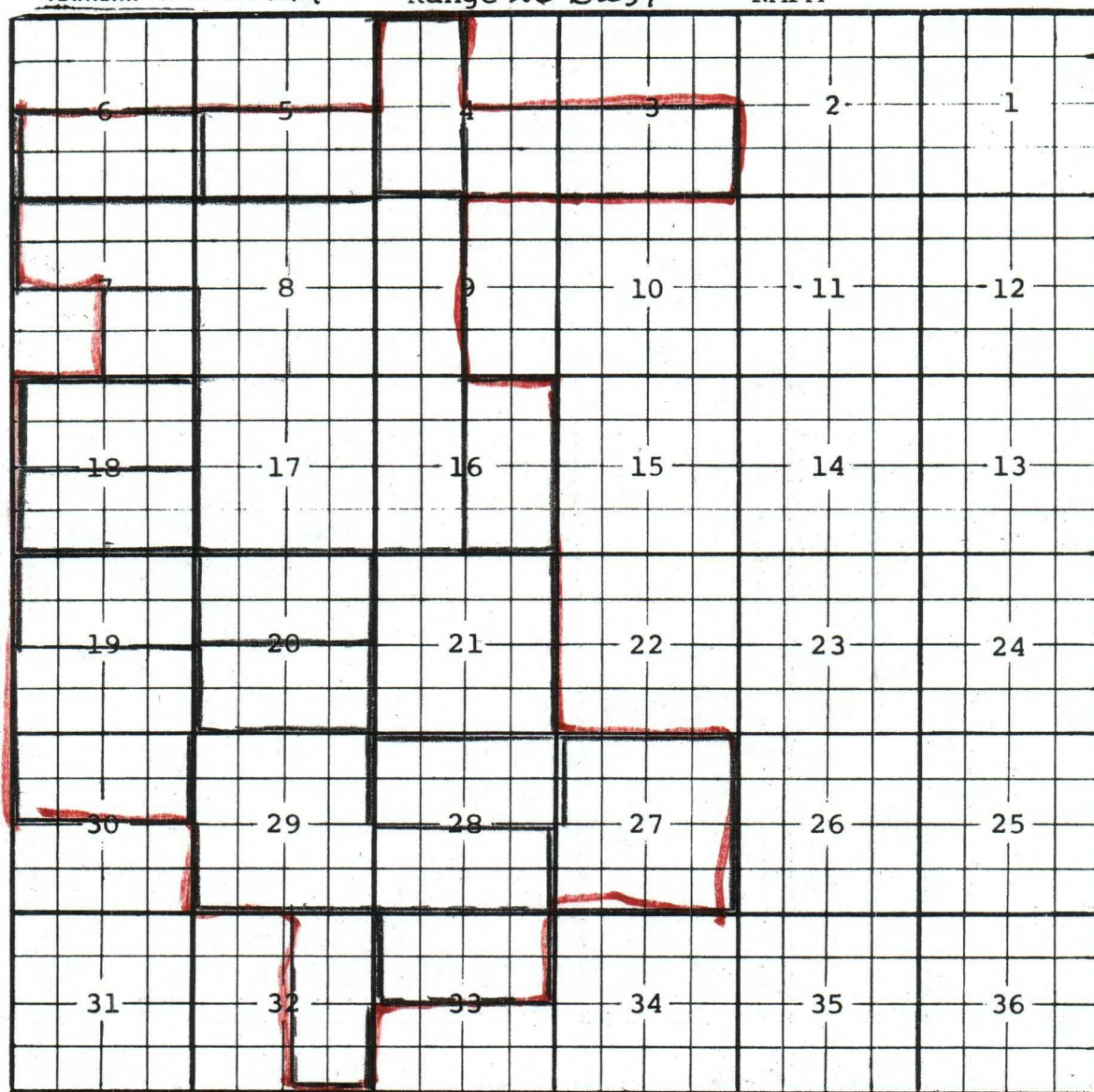
County Eddy Pool Happy Valley-Morrow Gas

Pool Happy Valley-Morrow Gas

TOWNSHIP 22 South Range 26 East

Range 26 East

NMPM



Description: $\frac{w}{2}$ Sec 4 (R-5609, 1-1-78)

Ext: $\frac{1}{2}$ Sec 7, All Sec 8, $\frac{1}{2}$ Sec 9, $\frac{1}{2}$ Sec 16, and All Sec 17 (R-6623, 4-7-81)

Ext: N/2 sec 20, E/2 sec 16 (R-6724, 7-16-81) Ext: S/2 sec 20

(R-6923, 3-9-82) Ext: $\frac{5}{2}$ Sec. 19, $\frac{1}{2}$ Sec. 30 (R-7668, 9-21-84)

Ext: 5/2 Sec. 28, All Sec. 29 (A-8229, 5-19-86) Ext: All Sec. 27 (A-8391, 1-22-87)

EXT: N/2 sec 28 (R-8827, 12-22-88) EXT: All sec 21 (R-9096, 1-1-90)

Ex+: $N/2$ Sec. 18, $N/2$ Sec. 33 (R-10459, 9-11-95) Ex+: $E/2$ Sec. 32 (R-10822, 6-16-97)

Ext: ⁵/₂ Sec. 18 (R-1106), 10-20-98 Ext: ⁵/₄ Sec. 7 (R-11384, 5-25-00)

Ext: 5/2 Sec. 5, N/2 Sec. 19 (R-11678, 10-23-01) Ext: 5/2 Sec. 6 (R-11800, 7-16-02)

Ext. 5/2 Sec. 3, 5/4 Sec. 4 (R-12208, 9-8-04)