

6-23-05      Stagner      6-24-05      NSL      PSEM0510017526893

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

[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.

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

James Bruce  
 Print or Type Name

*James Bruce*  
 Signature

Attorney for Applicant  
 Title

jamesbruc@aol.com  
 e-mail Address

6/22/05  
 Date

RECEIVED  
 JUN 22 2005  
 OIL CONSERVATION  
 DIVISION

RECEIVED  
 JUN 23 2005  
 Oil Conservation Division  
 1220 S. St. Francis Drive  
 Santa Fe, NM 87505

**JAMES BRUCE**  
ATTORNEY AT LAW

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[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

June 22, 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.F(2), Chi Energy, Inc. applies for approval of an unorthodox gas well location for the following well:

<u>Well name:</u>	W.C. "4" Well No. 4
<u>Well location:</u>	2490 feet FNL & 1150 feet FEL
<u>Well unit:</u>	Lots 1, 2, S½NE¼, and SE¼ (E½) of Section 4, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico (319.55 acres)

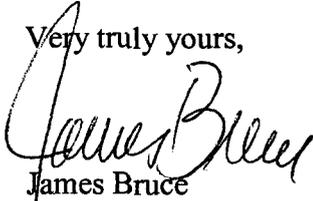
The well will be drilled to a depth sufficient to test the Strawn and Morrow formations (Undesignated Happy Valley-Strawn Gas Pool and Undesignated Happy Valley-Morrow Gas Pool). Applicant requests unorthodox location approval in both formations. The pools are spaced on statewide rules, with 320 acre 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. A Form C-102 for the well is attached as Exhibit A.

The location is based on topographic reasons. Attached as Exhibit B is a land plat of the E½ §4-22S-26E, which is entirely fee land. The entire half-section is residential property (in the Happy Valley Farms and other subdivisions), and the lines indicate residential lots (some of which have been further subdivided). The proposed location is the only drillable location applicant could obtain in the NE¼ of Section 4 due to the number of residences and the County's requirement to remain 300 feet from a residence. (Applicant has plans to drill a second well in the SE¼.)

Because the location is internal to the well unit, notice of this application has not been given to anyone.

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

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for Chi Energy, Inc.

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I  
1220 S. FRANCIS DR., SANTA FE, NM 87505

DISTRICT II  
1201 W. GRAND AVENUE, ARTESIA, NM 87010

DISTRICT III  
1000 Rio Grande Blvd., Artesia, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised JUNE 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name W.C.	Well Number 4
OGRD No.	Operator Name CHI OPERATING, INC.	Elevation 3201'

Surface Location

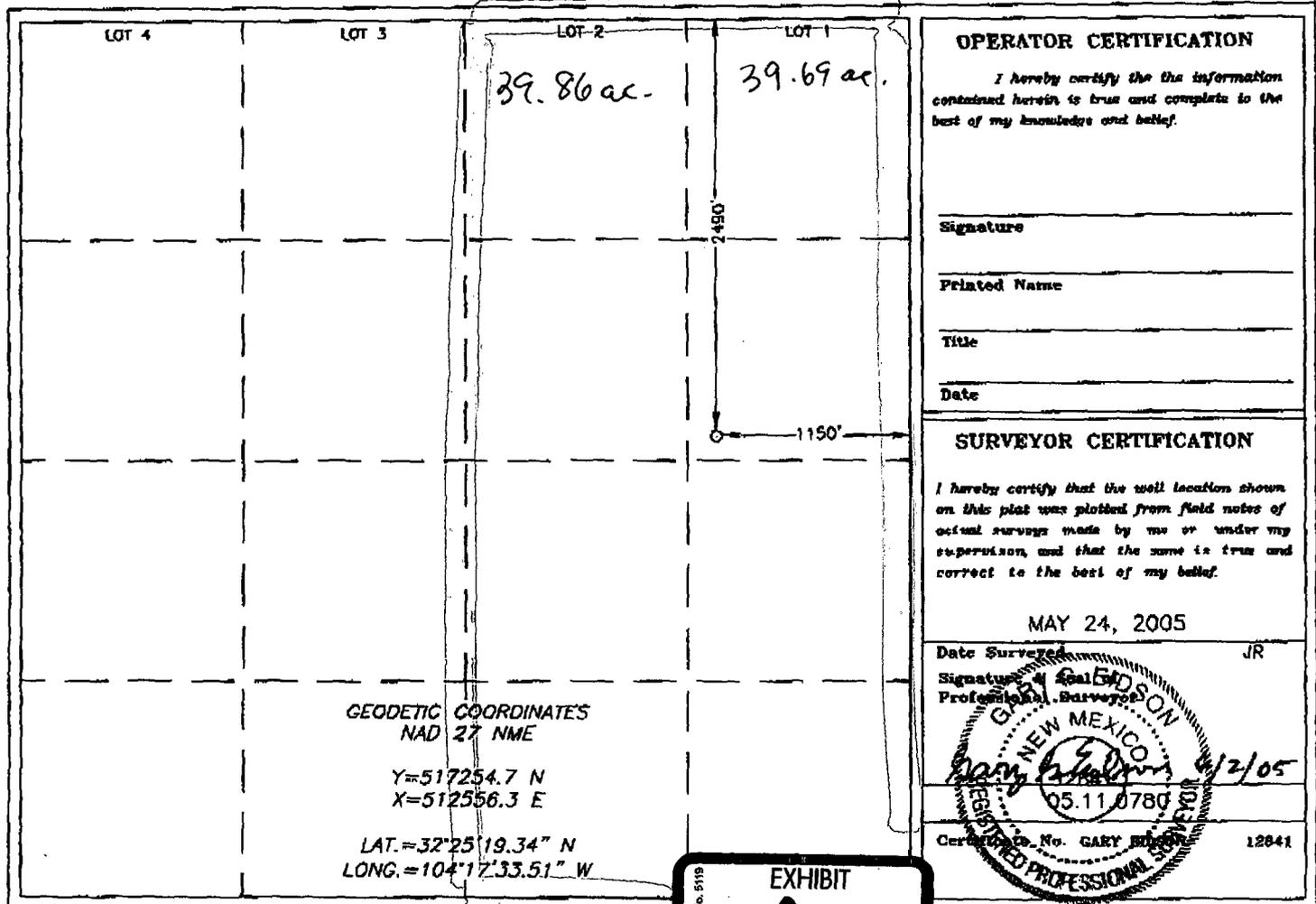
Ul. or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	4	22-S	26-E		2490	NORTH	1150	EAST	EDDY

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



Blumberg No. 5119  
EXHIBIT  
A