

DATE IN

7/26/99

SUSPENSE

8/16/99

ENGINEER

MS

LOGGED BY

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TYPE

NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVER SHEET

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

JUL 26 1999

Check One Only for [B] and [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 (OI, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

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

Mike Brown
Print or Type Name

Mike Brown
Signature

V.P. Geology
Title

7/22/99
Date



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

July 22, 1999

Mr. Michael L. Stogner
Oil Conservation Division
Department of Energy
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application for Administrative Approval
of Unorthodox Well Location
Esperanza #2
Eddy County, New Mexico

Dear Mr. Stogner:

Manzano Oil Corporation hereby seeks administrative approval pursuant to the provisions of Division Rule 104 for the drilling of Manzano's Esperanza #2 as a Morrow well located 1150' FSL and 1200' FWL, Section 3, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico.

Manzano Oil Corporation is seeking approval for an unorthodox location in the South Carlsbad area of Eddy County, New Mexico, based on geological and topographic reasons. The primary objectives of this well are the Strawn A carbonate and the Morrow A and B sands. Despite some potentially serious geological concerns, Manzano Oil was originally proposing to drill the Esperanza #2 at an orthodox location 1980' FSL and 990' FWL. Upon review of the surface location, it was determined that this location would be situated in a side draw of the main Esperanza Draw which runs approximately on the section line between sections 3 & 4 (see Exhibit A). This side draw funnels runoff water off a sixty foot hill located in the center of section 3. In addition to the cost of building a location in the middle of this draw there would be serious concerns over the integrity of the pad during heavy rains and runoff. For this reason it was determined that this location should be moved either north or southeast of an regular location to avoid this topographic risk. Moving the Esperanza #2 to an unorthodox location 990 feet to the southeast of regular would have four major benefits. One, structurally this location would be on the crest of structural nose (see Exhibit B). Moving the location to the north would result in moving off the structural crest and onto less prospective structural flank position. Two, this location should be positioned optimally to exploit the Strawn A carbonate mound indicated by subsurface control (see Exhibit C). Moving north would greatly reduce the likelihood of finding productive Strawn carbonate. Three, the Union Oil Company Wersell #1A (located in the NE/4 NW/4 of Section 3) drilled, completed and produced various Morrow A and B sands. This well located within the

proposed Esperanza #2 320 acre proration unit, produced 1.5 BCFG before being plugged and abandoned in Feb. 1995. In order to avoid encountering depleted Morrow A & B sands, Manzano would like to keep the proposed Esperanza #2 well as far as possible from the Mead Com. #1A. Granting this unorthodox location should increase the likelihood of making a commercial producer in the Morrow A & B and Strawn A by maximizing both structure and stratigraphic components while at the same time reducing the cost to build and maintain a location due to topography.

By separate letters (copies attached) Manzano has sent notification letters via certified return receipt mail to the affected parties. Your consideration to the application is most appreciated. Should you have any questions, please feel free to call me at 505/623-1996.

Sincerely,

A handwritten signature in cursive script that reads "Mike Brown".

Mike Brown

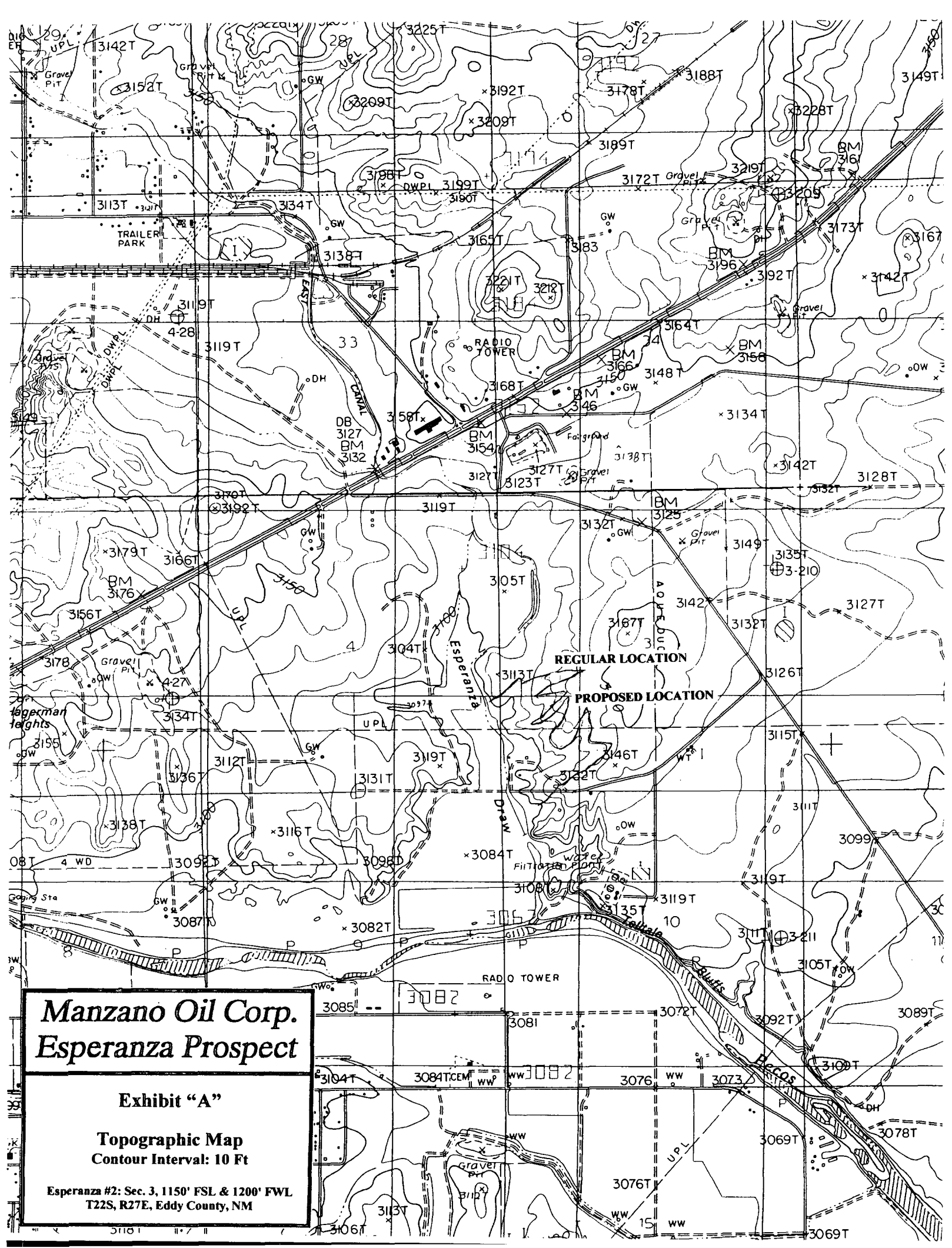
Enclosures

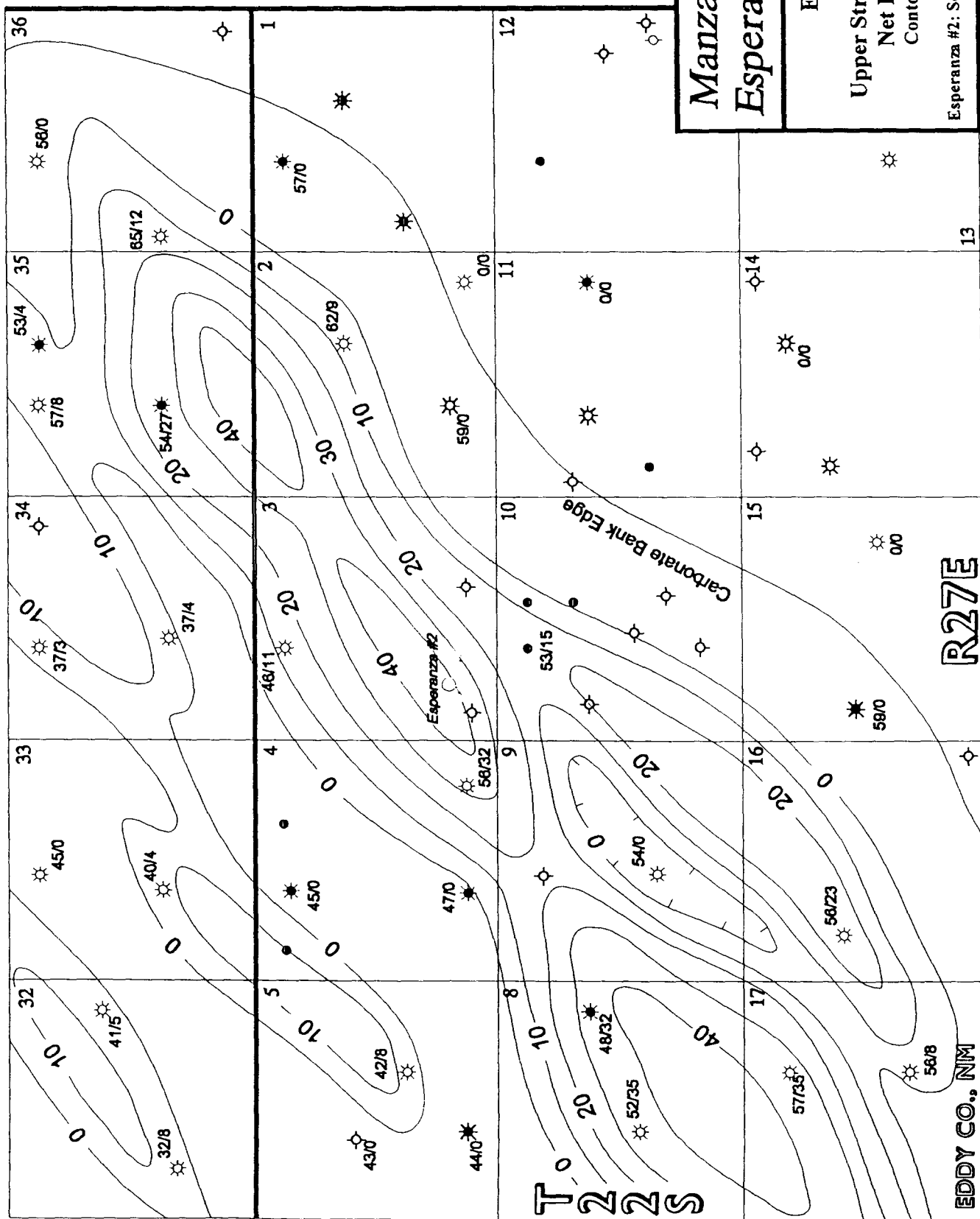
Manzano Oil Corp. Esperanza Prospect

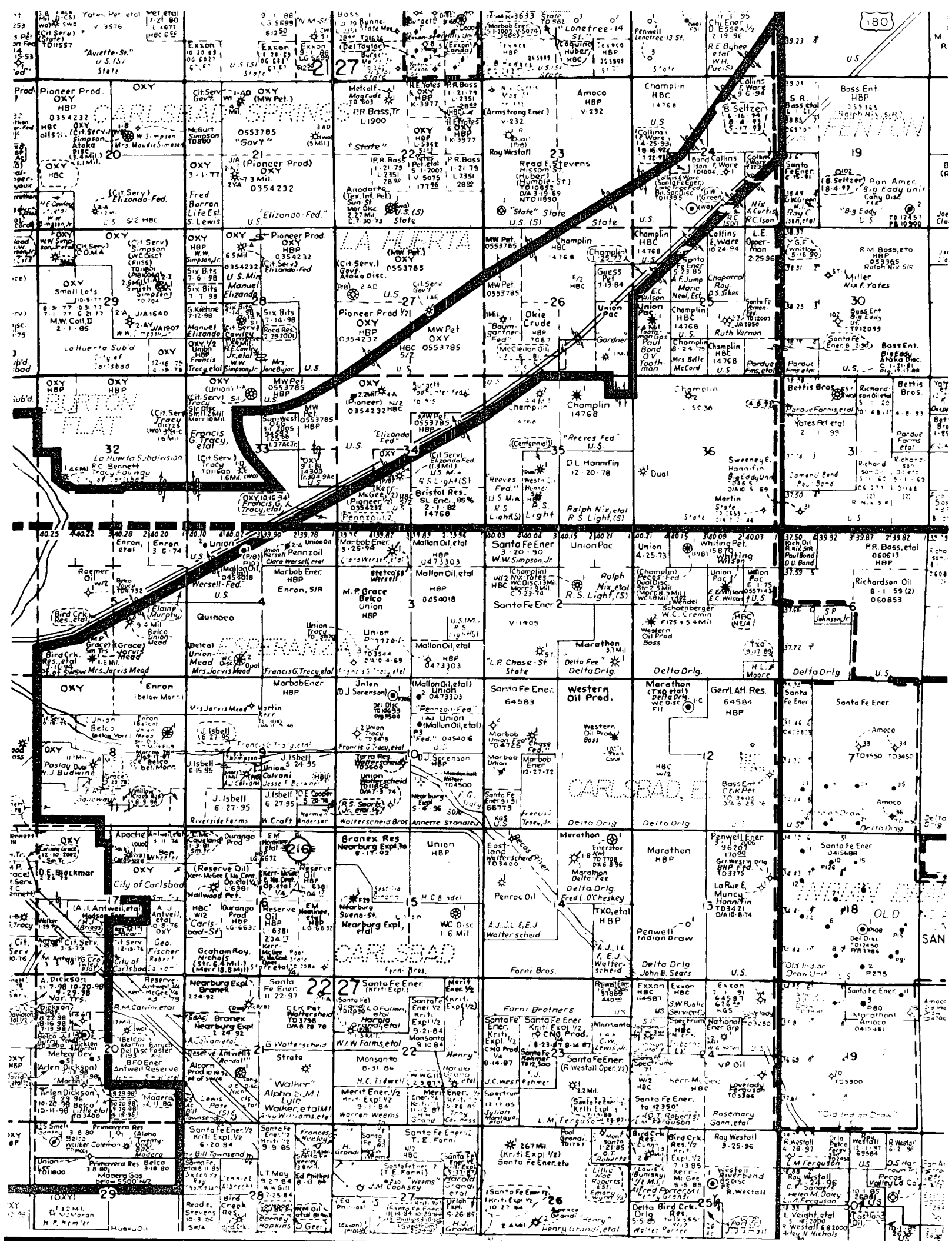
Exhibit "A"

Topographic Map
Contour Interval: 10 Ft

Esperanza #2: Sec. 3, 1150' FSL & 1200' FWL
T22S, R27E, Eddy County, NM







LIST OF AFFECTED PARTIES
Unorthodox Well Location
Esperanza #2

Matador Petroleum Corporation
8340 Meadow Road #158
Dallas, TX 75231



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

July 22, 1999

Matador Petroleum Corporation
8340 Meadow Road #158
Dallas, Texas 75231

Attn: Mona Ables

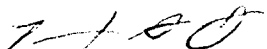
Re: Esperanza #2, 1150' FSL & 1200' FWL
Section 3, T22S, R27E
Lea County, New Mexico

Dear Mona:

Manzano Oil Corporation has filed an Application for Administrative Approval for Unorthodox Well Location for our Esperanza #2 well with the New Mexico Oil Conservation Division (OCD). The well will be drilled to a depth sufficient to test the Pennsylvanian Morrow Formation and is within one (1) mile proximity of the OCD designated South Carlsbad-Morrow Gas Pool. The field rules provide for a 320 acre spacing unit with the well located no closer than 660 feet to the side boundary nor 1980 feet from the end boundary. Our proposed W/2 proration unit location of 1150' FSL and 1200' FWL of Section 3, T-22-S, R-27-E is unorthodox and must be granted an exception to the spacing rules. Please note that in addition to Matador being the operator of an offsetting 320 acre proration unit, Matador has leasehold interests within the proposed proration unit. Manzano will be sending out a well proposal and AFE within the next 2 weeks.

Enclosed is a copy of the Application for Administrative Approval for Unorthodox Well Location that was filed with the OCD. A positive response from you will eliminate the necessity to conduct a full OCD hearing on this matter thereby expediting our effort. However, if you object to the proposed location, your written expression of opposition must be filed with the OCD within twenty (20) days from the date this notice was mailed. Therefore, we request you waive objection to the drilling of the Esperanza #2 well at the proposed location and evidence your acceptance by executing and returning a copy of this letter to my attention at the above address.

Sincerely,


Kenneth Barbe, Jr.

AGREED TO AND ACCEPTED this _____ day of July, 1999.

By: _____

Title: _____

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-101
Revised February 10, 1994
Instructions on back
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

Operator Name and Address: Manzano Oil Corporation P.O. Box 2107 Roswell, NM 88202-2107		OGRID Number 013954
		API Number 30 - 0
Property Code	Property Name Esperanza	Well No. 2

Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
M	3	22S	27E		1150	South	1200	West	Eddy

Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
Proposed Pool 1 Morrow, S. Carlsbad					Proposed Pool 2 Wildcat				

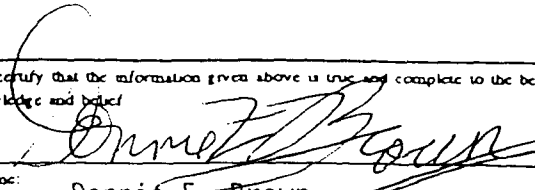
Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Grossed Level Elevation 3135'
Multiple No	Proposed Depth 11,900'	Formation Morrow	Contractor WEK Drlg Co.	Spud Date 9/10/99

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	54.5#	400'	375	Circul
12-1/4"	9-5/8"	36 & 40#	5,100'	1050	1400'
8-3/4"	7 or 5-1/2"	17, 20 & 26#	11,900'	To be designed	600' above uppermost pay

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.

Drill hole to approximately 11,900' to test the Atoka/Morrow. DST any zones of interest along the way. At TD run open hole logs. If any zones are commercial will run production casing.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 		OIL CONSERVATION DIVISION	
Printed name: Donnie E. Brown		Approved by:	
Title: VP Engineering		Title:	
Date: 7/20/99		Approval Date:	Expiration Date:
Phone: (505) 623-1996		Conditions of Approval Attached ☐	

District I
PO Box 1980, Hobbs, NM 88240-1980
District II
PO Drawer DD, Aramis, NM 88211-0719
District III
1000 Rio Bravo Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code	* Pool Name Morrow, S. Carlsbad
* Property Code	* Property Name ESPERANZO-3-2 Esperanza		* Well Number 2
* OGRID No. 013954	* Operator Name MANZANO OIL CORPORATION		* Elevation 3135.

¹⁰ Surface Location

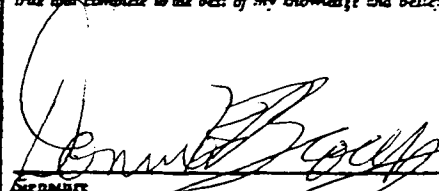
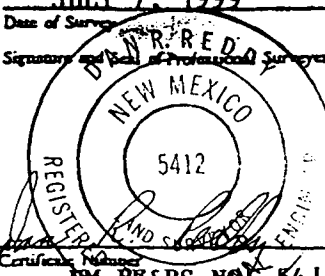
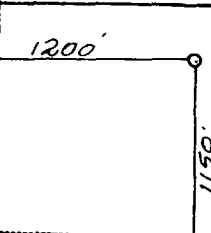
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	3	22-S	27-E		1150	SOUTH	1200	WEST	EDDY

¹¹ 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

¹² Dedicated Acres ¹³ Joint or Infill ¹⁴ Consolidation Code ¹⁵ 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

¹⁶ ④ 39.75	③ 39.82	② 39.89	① 39.96	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Donnie E. Brown Printed Name VP Engineering Title July 20, 1999 Date
				¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was placed 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. JULY 7, 1999 Date of Survey Signature and Seal of Professional Surveyor  REGISTERED PROFESSIONAL SURVEYOR NEW MEXICO 5412 JULY 7, 1999 Certificate Number NM PRAPS NO. 5412
				

Z 263 855 532

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to <i>Matador Petroleum Corporation</i>	
Street & Number <i>8340 Meadow Rd. #158</i>	
Post Office, State, & ZIP Code <i>DALLAS TX 75231</i>	
Postage	\$ <i>.55</i>
Certified Fee	<i>1.40</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	<i>1.25</i>
Return Receipt Showing to Whom, Date, & Address at Address	
TOTAL Postage & Fees	\$ <i>3.20</i>
Postmark or Date <i>ESPERANZA #2</i>	

PS Form 3800, April 1995

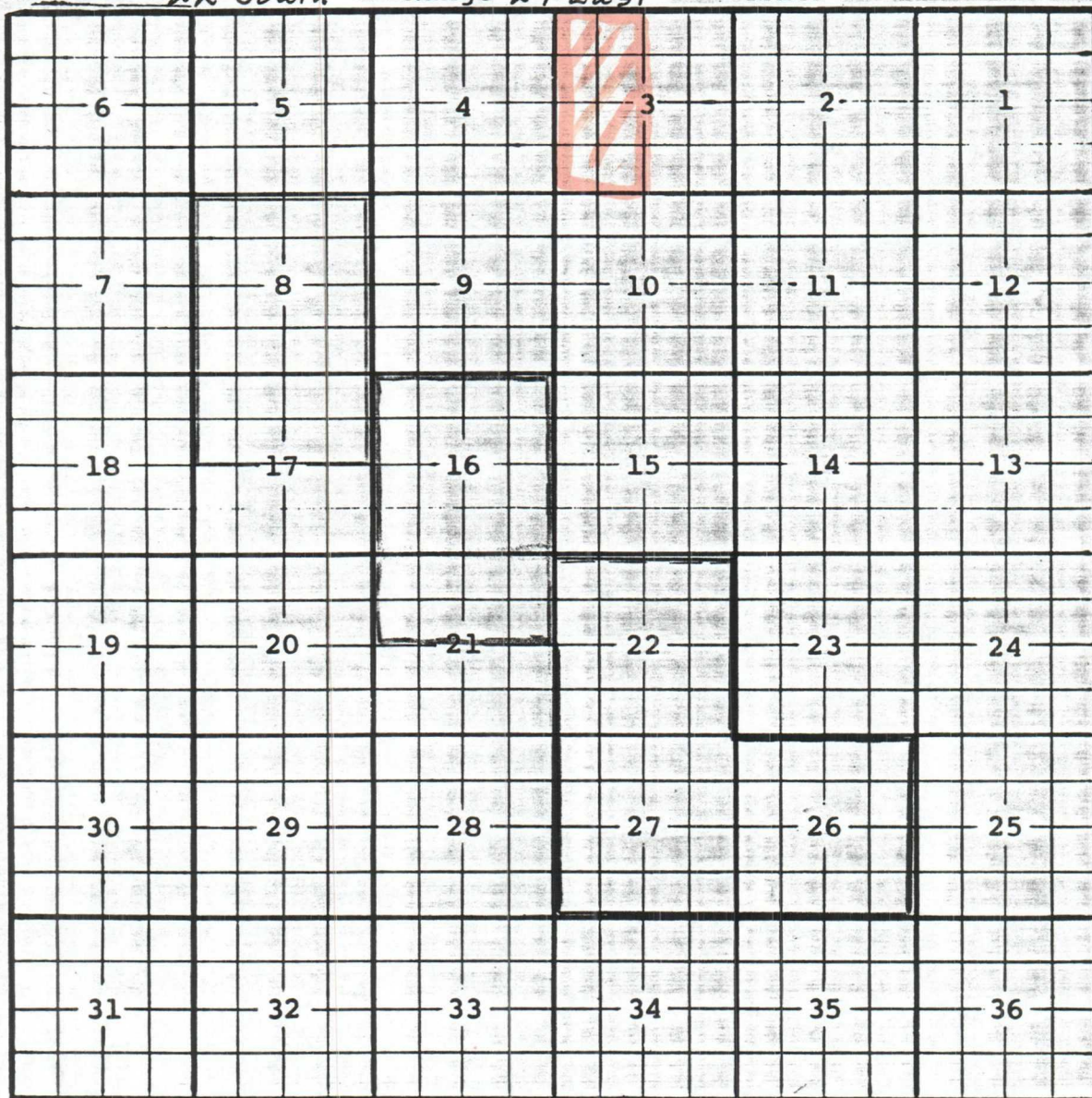
County Eddy

Pool Carlsbad-Strawn Gas

TOWNSHIP 22 South

Range 27 East

NMPM



Description: All Sec 8, $\frac{N}{2}$ Sec 17 (R-5162, 3-1-76)

Ext: Sec: 16 All, 21 n/2, (R-7114, 10-19-82)

Ext: All Sec. 22, All Secs. 26 and 27 (R-7997, 8-6-85)

COUNTY Eddy

POOL La Huerta - Strawn Gas

TOWNSHIP 21 South

RANGE 27 East

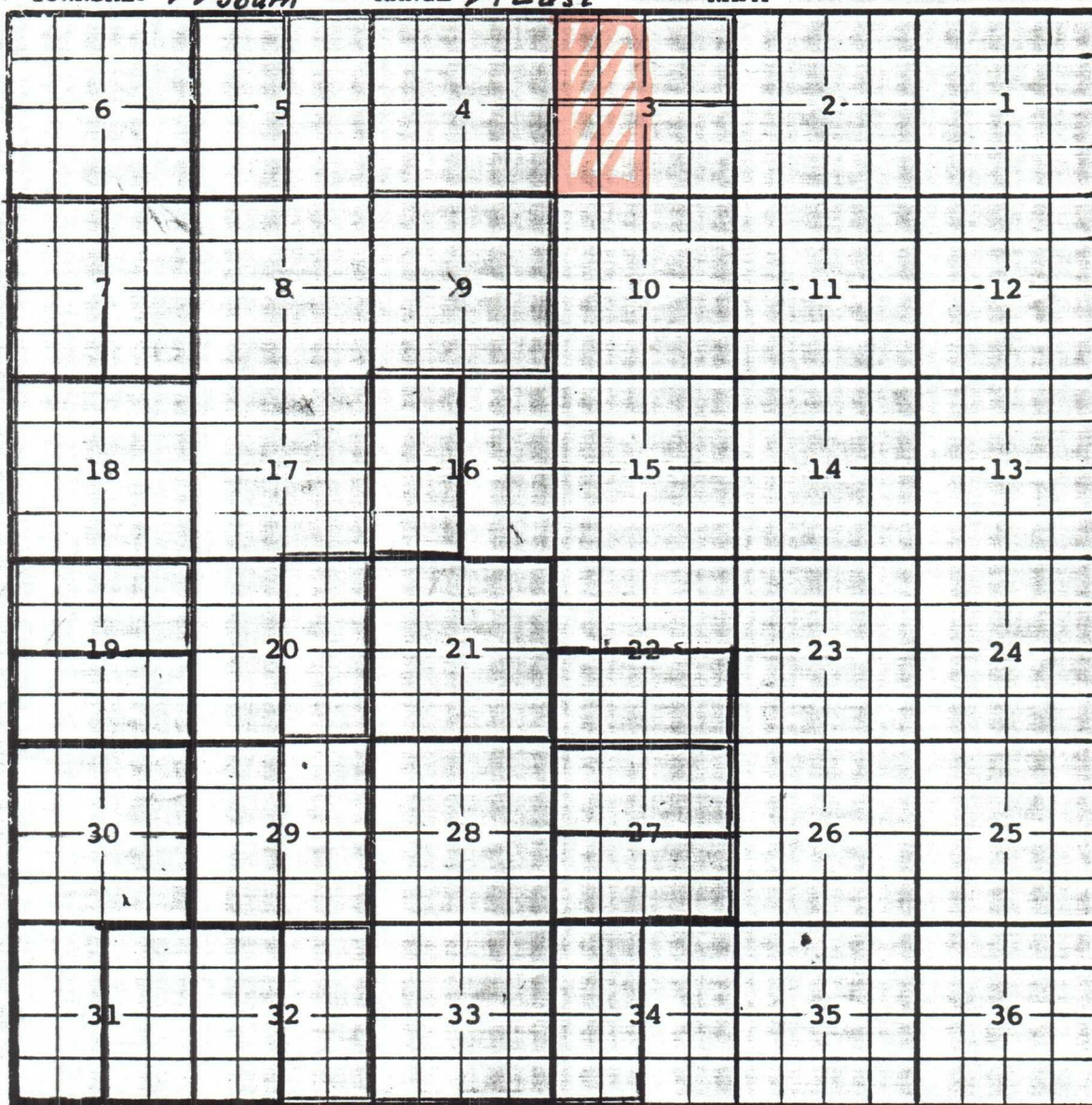
NMPM

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: $\frac{N}{2}$ Sec 33(R-5162, 3-1-76)

COUNTY *Eddy*POOL *South Carlsbad - Morrow Gas*TOWNSHIP *22 South*RANGE *27 East*

NMPM



Ext: $\frac{E}{2}$ Sec 31; $\frac{W}{2}$ Sec 32 (R-4119, 4-1-71) - All Sec 30; $\frac{W}{2}$ Sec 31 (R-4194, 10-1-71)
 - $\frac{S}{2}$ Sec 19 (R-4232, 1-1-72). Ext: $\frac{N}{2}$ Sec 19, $\frac{W}{2}$ Sec 29 (R-4915, 12-1-74)
 Ext: $\frac{N}{2}$ Sec 3, All Sec 4, $\frac{E}{2}$ Sec 5, All Sec 8, 9, 17 & 18, $\frac{W}{2}$ Sec 20 (R-5162, 3-1-76)
 Ext: $\frac{E}{2}$ Sec 32 (R-5204, 5-1-76) Ext: $\frac{W}{2}$ Sec 5 (R-5226, 7-1-76)
 Ext: $\frac{E}{2}$ Sec 20 (R-5309, 11-1-76) Ext: $\frac{E}{2}$ Sec 7 (R-5361, 3-1-77)
 Ext: $\frac{W}{2}$ Sec 7 (R-5667, 4-1-78) Ext: $\frac{E}{2}$ Sec 29 (R-5781, 9-1-78)
 Ext: $\frac{W}{2}$ Sec 16 (R-6476, 10-1-80) Ext: All Sec. 21 (R-7372, 10-20-83)
 Ext: All Sec. 28, All Sec. 33 (R-7785, 1-17-85) Ext: $\frac{S}{2}$ Sec. 27 (R-7876, 4-16-85)
 Ext: $\frac{W}{2}$ Sec. 34 (R-9609, 11-7-91) Ext: $\frac{N}{2}$ Sec. 27 (R-10376, 5-24-95)
 Ext: $\frac{S}{2}$ Sec. 22 (R-10724, 1-8-97)