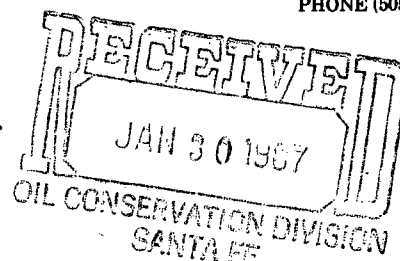


ZIA ENERGY, INC.

HOBBS, NEW MEXICO 88240



January 26, 1987

*NSL-2323
RULE-104(FI)*

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

*Undesignated House Yates Seven River Gas Pool
160 Acres ad. - NE 1/4 Sec 1.*

Re: Zia Energy, Inc.
L.D. Jones No. 1 - ~~4~~
2310' FNL & 330' FEL
Sec. 1, T20S, R38E
Lea County, New Mexico

Gentlemen:

You are requested to approve a non-standard location for the L. D. Jones No. 1 well, located as described above, for an Undesignated Yates Seven Rivers gas well.

This well was originally drilled and abandoned in 1955, to a total depth of 7605'. In 1969 Damson Exploration Corporation re-entered the abandoned well bore and cleaned out to 7531', ran 5½" casing to 7531' and cemented using 450 sacks of cement. A House Blinbry gas well completion was made through perforations from 6070' - 6246'. R-3911 was issued establishing the House Blinbry gas pool, including only Section 1, T20S, R38E. In December, 1986 this well was plugged back to a PBTD of 3174'. The Yates was then perforated from 3000' to 3120' with 24 holes. The well has been completed as a Yates gas well producing approximately 30 MCF/D and no oil or water.

Following is a list of all offset operators. All of these operators have been notified by certified mail that this application for a non-standard location has been presented to the Oil Conservation Division.

TXO Producing Corporation
900 Wilco Building
Midland, Texas 79702

Amerada Hess Corporation
P.O. Box 840
Seminole, Texas 79360

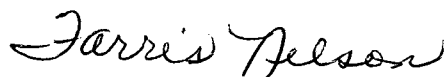
Monsanto Oil Company
One First City Center-Suite 1300
Midland, Texas 79701

The oil and gas lease records were checked in the Lea County Clerk's office on January 27, 1987 to determine the current ownership of all offset leaseholders. This information is presented on the enclosed plat. Evidence that these offset operators have been notified is presented in the form of the Certified mailing receipts.

A plat is presented to show the L.D. Jones No. 1 well, located in the SE/4 - NE/4 of Section 1. This plat also shows all of the offset operators. It will be noted from the plat that the only producing well on a lease offsetting the L.D. Jones lease is the TXO Hurd No. 1 - J in Sec. 6, T20S, R39E. None of the other offsetting leases contain a producing well.

This well was originally drilled at a standard location for an oil well. It was proposed that this well would be an oil well. It is now completed as a gas well in the Yates formation. You are requested to approve this as a non-standard gas well location.

Yours truly,

A handwritten signature in cursive script that reads "Farris Nelson".

Farris Nelson

T
20

Unleased Acreage

NUMBER OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease	
State ☐	Fee ☒
5. State Oil & Gas Lease No.	

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.)

OIL WELL ☐	GAS WELL ☒	OTHER ☐
Name of Operator Zia Energy, Inc.		
Address of Operator P.O. Box 2219, Hobbs, NM 88240		
Location of Well UNIT LETTER H 2310 FEET FROM THE North LINE AND 330 FEET FROM THE East LINE, SECTION 1 TOWNSHIP 20S RANGE 38E NMPM.		

7. Unit Agreement Name
8. Farm or Lease Name L. D. Jones
9. Well No. 1
10. Field and Pool, or Wildcat Undesignated Yates
12. County Lea

15. Elevation (Show whether DF, RT, GR, etc.) 3593' GL
--

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☒	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	OTHER ☐	CASING TEST AND CEMENT JOB ☐	OTHER ☐

7. 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.

1. Rig up pulling unit. Pull tbg & rods. 12/17/86.
2. Run CIBP on 2 3/8" tbg to 6020'. Spot 25 sacks cl"c" on top of CIBP. Top of cmt. at 5920'
3. Spot mud inside of 5 1/2" csg from 5920' to 3800'. Perforated 2 holes at 3900'. Attempted to establish circulation. Could not circulated. Set cmt retainer at 3850'. Squeezed perfs. with 50 sacks cement. Left 50' of cement on top of retainer.
4. Perforate 2 holes at 3200'. Pumped on casing and established circulation. Run cement retainer and set at 3174'. Cmt. 5 1/2" casing using 247 sacks of Pace-setter light & 300 sacks cl"c" neat. Cmt. circulated to surface. Picked up 10' out of retainer & reversed to pit.
5. Perforate 24 holes from 3000' to 3120'. Treat perfs. using 1000 G of 15% NE-FE acid and 20 ball sealers. Trtd at 3 BPM at 2400 psi. ISIP 1900# - 15 min 180 psi.
6. Ran 2 3/8" tbg, rods and pump. Set tbg at 3100'. Placed well on production to recover load water.
7. After recovery of load - well making 15 MCF/D and no oil or water.

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

SIGNED **MJ Nelson** TITLE **Engineer** DATE **1/29/87**

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

P-562 878 027

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

U.S.G.P.O. 153-506

Sent to Amerada Hess Corporation	
Street and No. P.O. Box 840	
P.O. State and ZIP Code Seminole, Texas 79360	
Postage	\$ 22
Certified Fee	\$ 75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	70
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.67
Postmark or Date JUN 1985	

Jones - NSL

P-562 878 025

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800 June 1985

U.S.G.P.O. 153-506

Sent to TXO Producing Corporatio	
Street and No. 900 Wilco Building	
P.O. State and ZIP Code Midland, Texas 79702	
Postage	\$ 22
Certified Fee	\$ 75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	70
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.67
Postmark or Date JUN 1985	

Jones - NSL

P-562 878 026

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

U.S.G.P.O. 153-506

Sent to Monsanto Oil Company	
Street and No. Center One First City	
P.O. State and ZIP Code Midland, Texas 79701	
Postage	\$ 22
Certified Fee	\$ 75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	70
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.67
Postmark or Date JUN 1985	

Jones - NSL

All distances must be from the outer boundaries of the Section.

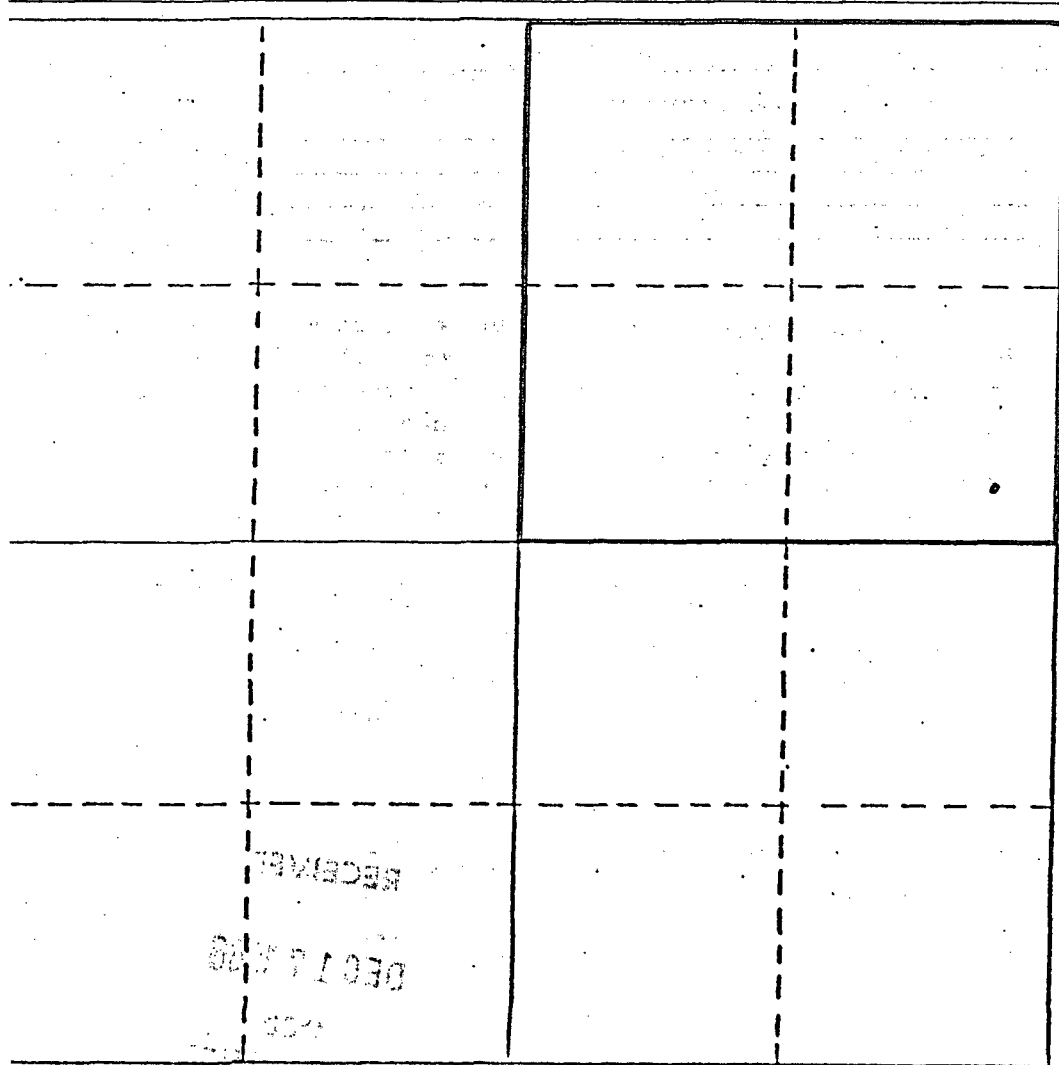
Zia Energy, Inc.		Lease L.D. Jones		Well No. 1
Init Letter H	Section 1	Township 20 South	Range 38 East	County Lea
Actual Footage Location of Well: 2310 feet from the North line and 330 feet from the East line				
Ground Level Elev. 3593'	Producing Formation Yates- Seven Rivers		Pool House Yates Seven Rivers (Gas)	Dedicated Acreage: 160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name D. E. Bratton

Position
Engineer

Company
Zia Energy, Inc.

Date
12/17/86

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 knowledge and belief.

Date Surveyed _____

Registered Professional Engineer and/or Land Surveyor

Certificate No. _____

