

OIL CONSERVATION DIVISION
RECEIVED

'91 SEP 16 AM 9 54

MELZER EXPLORATION COMPANY, INC.
1155 TWO FIRST CITY CENTER
P. O. BOX 2083
MIDLAND, TEXAS 79702-2083

L. S. MELZER
OFF. (915) 682-1627
L. STEPHEN MELZER
OFF. (915) 682-7664

September 5, 1991

H. SCOTT DAVIS
OFF. (915) 682-7664

Mr. Michael Stogner
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Melzer Exploration Company
#2 Bilberry
House Field
Lea Co., New Mexico

Dear Mr. Stogner,

By this letter Melzer Exploration Company formally applies for an "unorthodox location" for the captioned 3250' gas well under State of New Mexico Rule No. 104. This application is made necessary by conditions beyond the control of the operator; conditions which would prevent Melzer Exploration Company from attempting to drill and complete the captioned well.

Melzer Exploration Company, operator of the west half of Section 6, T20S, R39E, Lea County had initially proposed to drill the #2 Bilberry 1980' FNL and 1980' FWL. Upon staking the well at this standard location it was noted that the survey stake for the well was located on a gas pipeline right-of-way which runs in a generally northeast to southwest direction across the west half of Section 6 (see attached map). To avoid the potential risk associated with drilling on this pipeline right-of-way, Melzer Exploration Company was forced to move the drilling location. In an effort to determine the optimum direction to move the well Melzer Exploration evaluated all of the options available to us. The options were to move the well north, across the pipeline an estimated 160 feet, move the well west or northwest across the pipeline in excess of 160' or we could move the location south 100'. A move in any direction other than south would put the well at risk geologically and increase our chances of drilling a dry or marginal well (see attached geological review and map). After due consideration of these options, the decision was made to move the minimum distance, or south 100 feet.

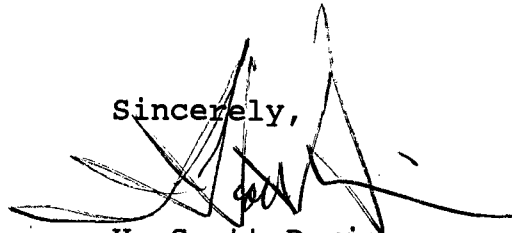
Melzer Exploration Company believes this location is not only optimal due to surface and subsurface considerations, it should also represent the least objectionable location from the stand point of offset operators. The #2 Bilberry location will not impact the offset operators on the north or the west since the

chosen location is 100' further south than a standard 1980' location. Seay Exploration, Inc., operator of the east half of Section 6 was directly involved in convincing Melzer Exploration Company to drill the #2 Bilberry and in fact asked for Melzer Exploration to accept operations on the west half of Section 6 when Seay could not undertake the venture themself. Seay has stated that the proposed location is acceptable to them (see attached waiver). Melzer Exploration Company itself is the offset operator to the south.

Melzer Exploration Company as required by Rule 104 has prepared and circulated Letters of Waiver to the offset operators of the captioned tract. Enclosed is a list of the offset operators as well as the signed and approved Letter of Waiver from Melzer Exploration Company and Seay Exploration, Inc.. Upon receipt of the outstanding letters of waiver we will forward same for your files.

It is our hope that the information provided herein is complete and satisfactory for approval of our "unorthodox location" for the #2 Bilberry. Should you desire or require any additional information please advise and we will be happy to respond. Thank you for assistance in this matter.

Sincerely,



H. Scott Davis

encls: Letters of Waiver
Structure Map
Production Data/Offset Wells
Pipeline Right-of-Way Map
List of offset operators
Lease ownership map
Registered mail receipts
Form C-101
Form C-102

September 5, 1991

Melzer Exploration Company
P.O. Box 2083
Midland, Texas 79702

LETTER OF WAIVER

Re: Melzer Exploration Company
#2 Bilberry
2080' FNL, 1980' FWL, Sec. 6,
T20S, R39E, Lea Co., N.M.

Dear Sir,

The undersigned is an offset operator to the captioned. By this letter the undersigned hereto waives all objection to Melzer Exploration Company drilling and completing the captioned well at the below described "unorthodox location":

Melzer Exploration Company #2 Bilberry to be drilled 2080' from the north line and 1980' from the west line of Section 6, Township 20 South, Range 39 East, Lea County, New Mexico.

Sealy Exploration, Inc.
Operator

John G. Sealy 9/9/91
By Date

John G. Sealy Owner
Print Name and Title

September 5, 1991

Melzer Exploration Company
P.O. Box 2083
Midland, Texas 79702

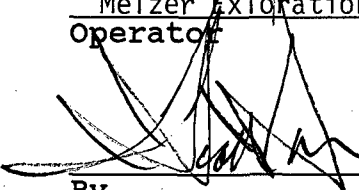
LETTER OF WAIVER

Re: Melzer Exploration Company
#2 Bilberry
2080' FNL, 1980' FWL, Sec. 6,
T20S, R39E, Lea Co., N.M.

Dear Sir,

The undersigned is an offset operator to the captioned. By this letter the undersigned hereto waives all objection to Melzer Exploration Company drilling and completing the captioned well at the below described "unorthodox location":

Melzer Exploration Company #2 Bilberry to be drilled 2080' from the north line and 1980' from the west line of Section 6, Township 20 South, Range 39 East, Lea County, New Mexico.

Melzer Exploration Company
Operator

By _____ Date 9/10/91

H. Scott Davis agent
Print Name and Title

GEOLOGICAL REVIEW
MELZER EXPLORATION COMPANY
#2 BILBERRY
HOUSE FIELD, LEA CO., NEW MEXICO

The House Yates/Seven Rivers gas field was discovered in 1982 as a result of drilling for deeper horizons. MGF Oil and Gas drilled the #1 J. Wright as a 7800' Drinkard test. When this zone proved to be non-commercial, the operator plugged back to the Yates/Seven Rivers formation and completed the well as gas producer. MGF subsequently added development wells to the new field by adding the J. Speight No.1 in the SE/4 of Section 31, T19S, R39E and the MGF-Sun #1 located in the SW/4 of Section 32, T19S, 39E.

The Yates/Seven Rivers formation in the House field is composed of thinly bedded sandy dolomites with interbedded anhydrites from 2900' to approximately 3200'. The better wells in the Field (those capable of ultimate production in excess .5 Bcf of gas) tend to be located on the crests of small structural features defined by 30 to 35 feet of structural relief. The Yates/Seven Rivers formation blankets the southeastern portion of Lea County but it is these small structural highs that appear to contain the long term commercial gas reserves ranging from 500 MMCFG to 800 MMCFG.

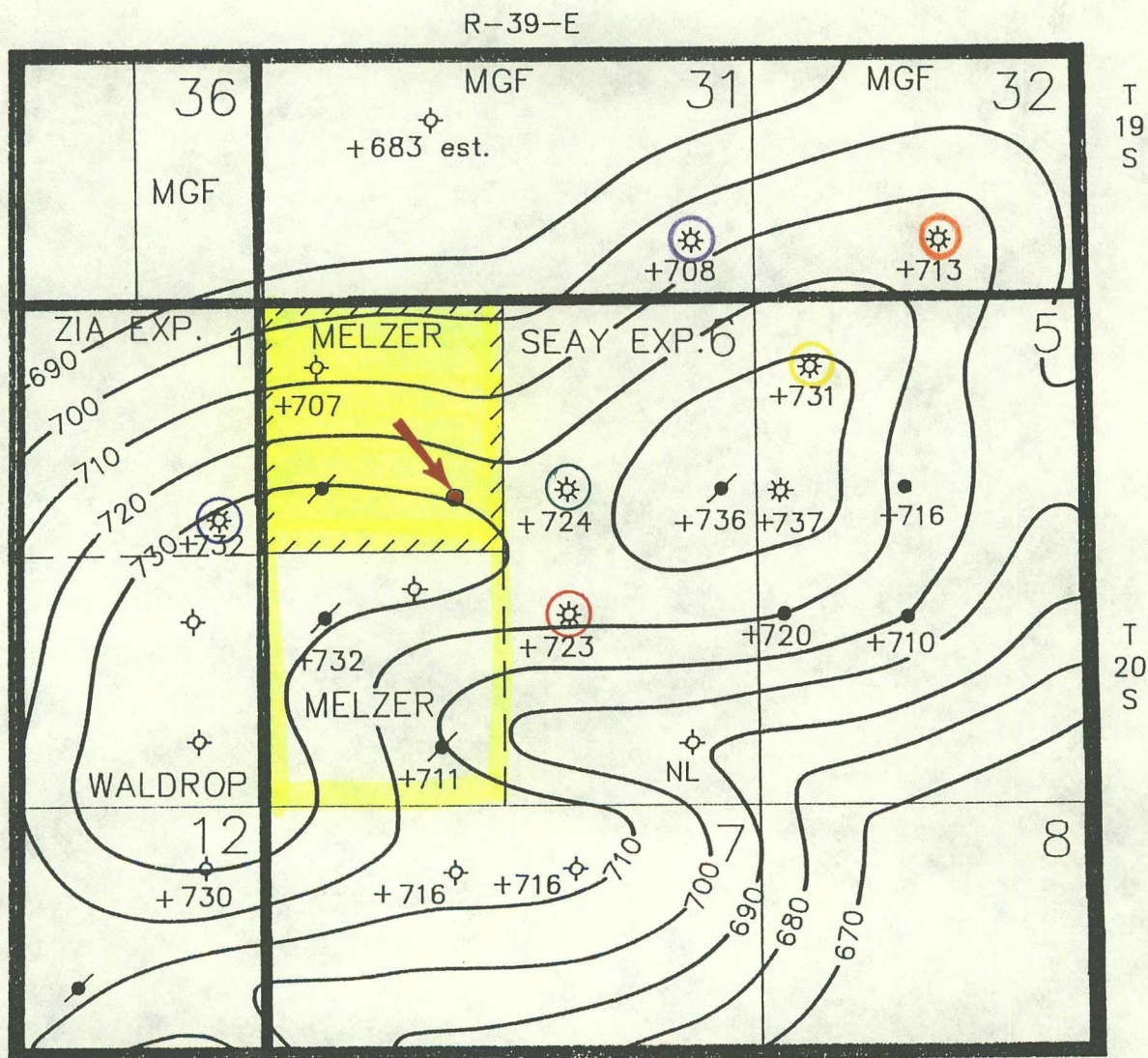
Sub-surface mapping of the House Field and Melzer Exploration Company's acreage in the W/2 of Section 6, T20S, R39E indicates that the possibility exists for gaining structure by moving in a southerly direction from the centerline of the west half of the section. As one moves closer to the south boundary of Section 6 one would expect to gain 10 to 15 feet of critical structure. This structural enhancement could improve the reserves attributable to the well by some 250,000 mcf.

SUMMARY OF OFFSET WELL PRODUCTION
Melzer Exploration Company
#2 Bilberry
Section 6, T20S, R39E, Lea Co., New Mexico

Well Name/Operator	Location	Top of Yates Sub-Sea Ele.	Cum Mcf	Projected Total Mcf	Map Code*
J. Wright/MGF	Sec. 5	+731'	512357	816120	
J. Speight/MGF	Sec. 31	+708'	493069	613830	
MGF-Sun/MGF	Sec. 32	+713'	270625	293820	
Bilberry/Seay	Sec. 6	+724'	too new	na	
Hurd/Seay	Sec. 6	+723'	shut in	na	
Zia/Jones	Sec. 1	+732'	shut in	na	

*Map Code references Yates/Seven Rivers producers shown on the attached structure map.

STRUCTURE MAP - TOP OF YATES FORMATION
 Melzer Exploration Company
 #2 Bilberry
 Section 6, T20S, R39E, Lea Co., New Mexico

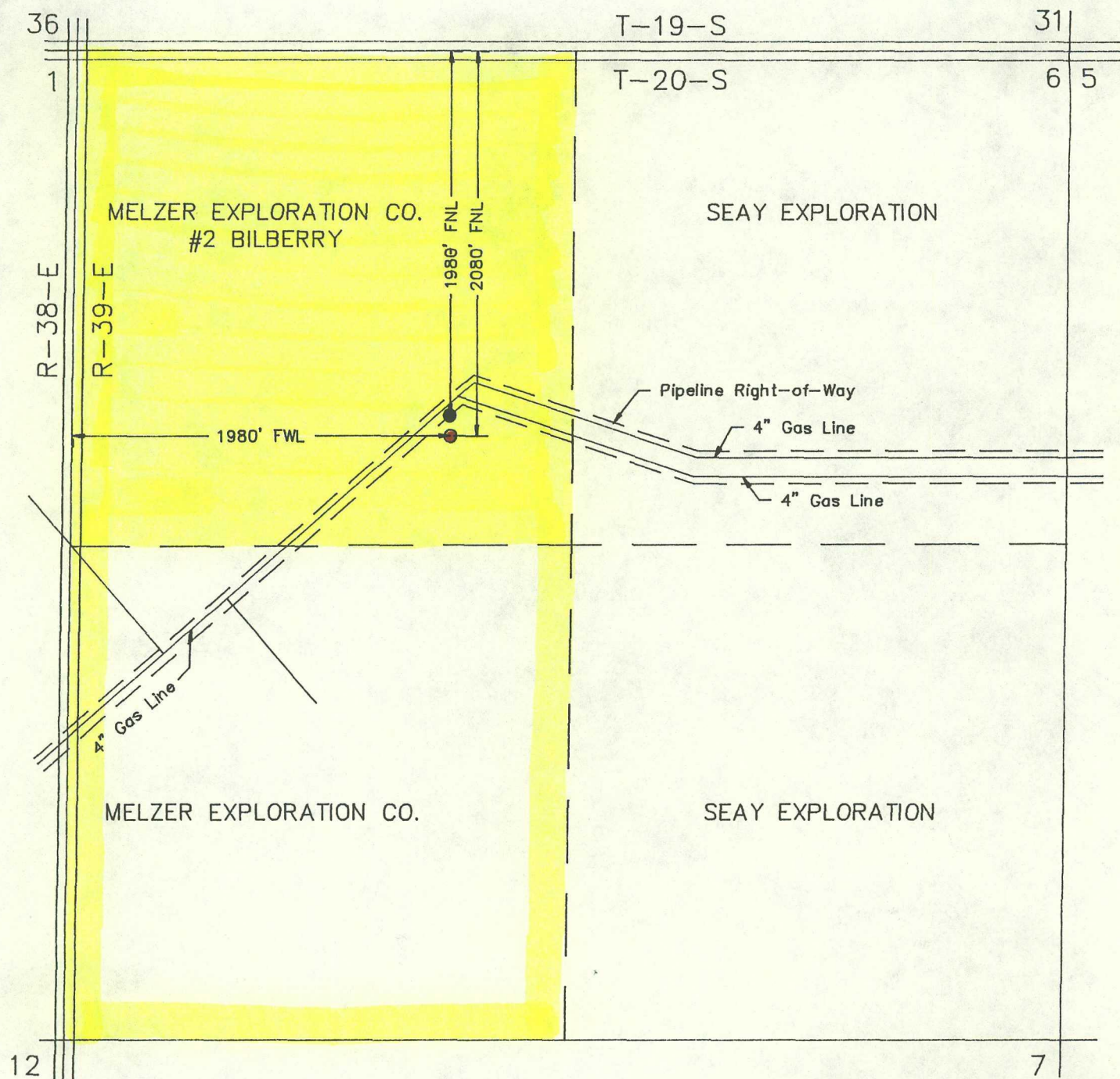


Melzer Exploration Company

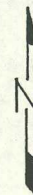
House Prospect
 Lea County, New Mexico
 Structure: Top Yates

Scale 1" = 2000' C.I.: 10'

PIPELINE RIGHT-OF-WAY MAP
Melzer Exploration Company
#2 Bilberry
Section 6, T20S, R39E, Lea Co., New Mexico



0 SCALE 1000



OFFSET OPERATORS
Melzer Exploration Company
#2 Bilberry
Section 6, T20S, R39E, Lea Co., New Mexico

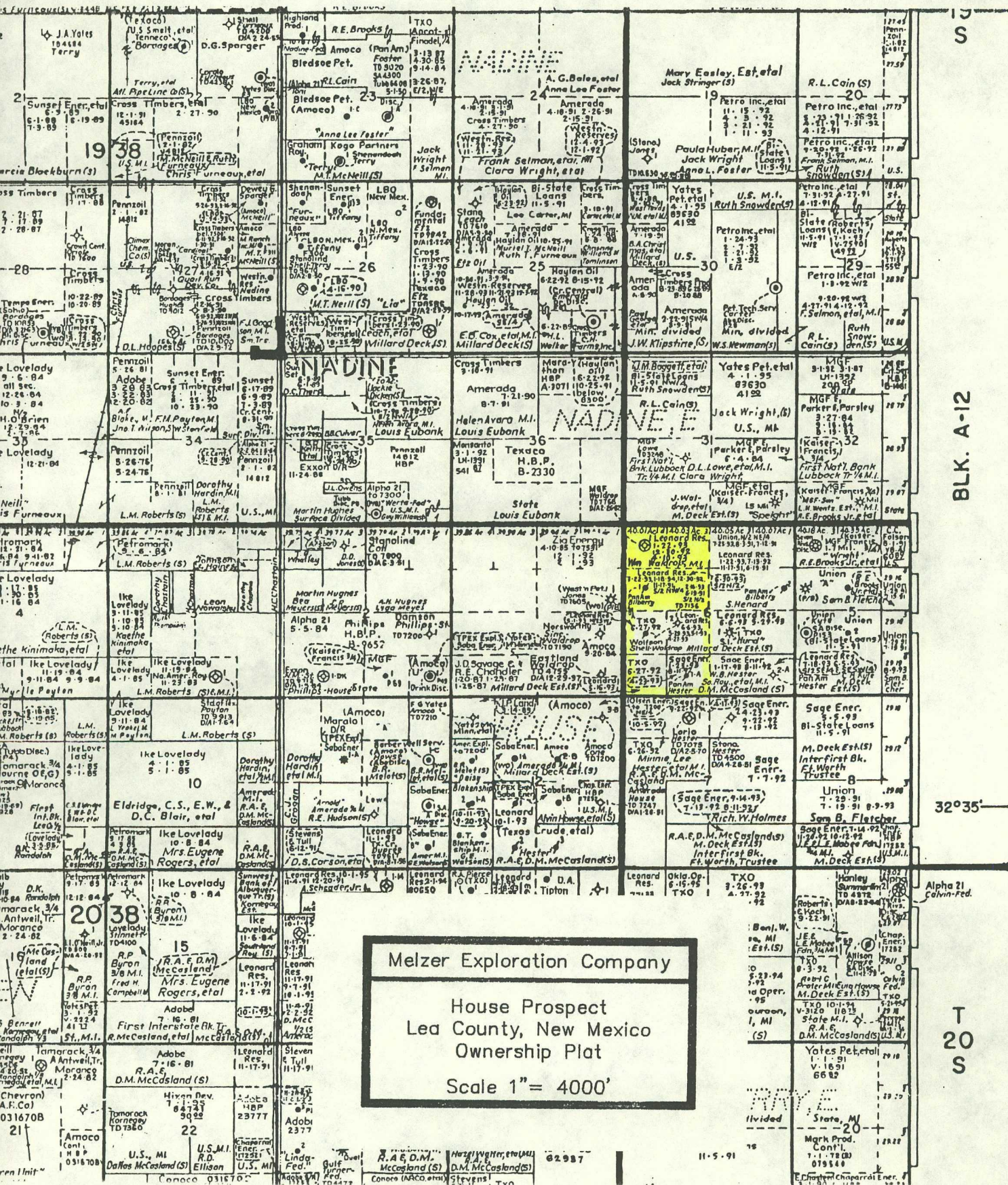
MGF Corporation
P.O.Box 3178
Midland, Texas 79702

Melzer Exploration Company ✓
P.O. Box 2083
Midland, Texas 79702

Seay Exploration, Inc. ✓
407 N. Big Spring
Midland, Texas 79701

Zia Energy, Inc. ✓
P.O. Box 2219
Hobbs, New Mexico 88240

LEASE OWNERSHIP PLAT
Melzer Exploration Company
#2 Bilberry
Section 6, T20S, R39E, Lea Co., New Mexico



Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells) 30-025-31375
5. Indicate Type of Lease STATE ☐ FEE ☒
6. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL ☒ RE-ENTER ☐ DEEPEN ☐ PLUG BACK ☐		7. Lease Name or Unit Agreement Name Bilberry			
b. Type of Well: OIL WELL ☐ GAS WELL ☒ OTHER ☐ SINGLE ZONE ☐ MULTIPLE ZONE ☐		8. Well No. 2			
2. Name of Operator Melzer Exploration Company		9. Pool name or Wildcat House Y-SR			
3. Address of Operator P. O. Box 2083, Midland, TX 79702					
4. Well Location Unit Letter F : 2080 Feet From The North Line and 1980 Feet From The West Line Section 6 Township 20S Range 39E NMPM Lea County					
10. Proposed Depth 3250		11. Formation Seven Rivers			
12. Rotary or C.T. Rotary					
13. Elevations (Show whether DF, RT, GR, etc.) 3592 GL		14. Kind & Status Plug. Bond Surety/1 Well			
15. Drilling Contractor Rod-Ric		16. Approx. Date Work will start 9/6/91			
17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12-1/4"	8-5/8"	23#	300'	190	Surf.
7-7/8"	4-1/2"	9.5#	3250'	550	Surf.

Drilling Rig is equipped with:
Shaffer -- 11"/5000 LWS Double
80 Gal. 3000 PSI 4 valve
Air and Electric Powered

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE H. Scott Davis TITLE Agent DATE 9/2/91
TYPE OR PRINT NAME H. Scott Davis TELEPHONE NO. 915-682-7664

(This space for State Use)

ORIGINAL OWNED BY JERRY SEXTON
DISTRICT I SUPERVISOR

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: Approved for drilling only -
Well cannot be produced from House Y-SR Gas Pool
until NSL has been approved.

Permit Expires 6 Months From Approval
Date Unless Drilling Underway.

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator MELZER EXPLORATION CO.			Lease BILBERRY		Well No. 2
Unit Letter F	Section 6	Township 20 SOUTH	Range 39 EAST	County NMPM LEA	
Actual Footage Location of Well: 2080 feet from the NORTH line and 1980 feet from the WEST line					
Ground level Elev. 3591.6	Producing Formation Yates/Seven Rivers		Pool House	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or machine marks on the plat below.

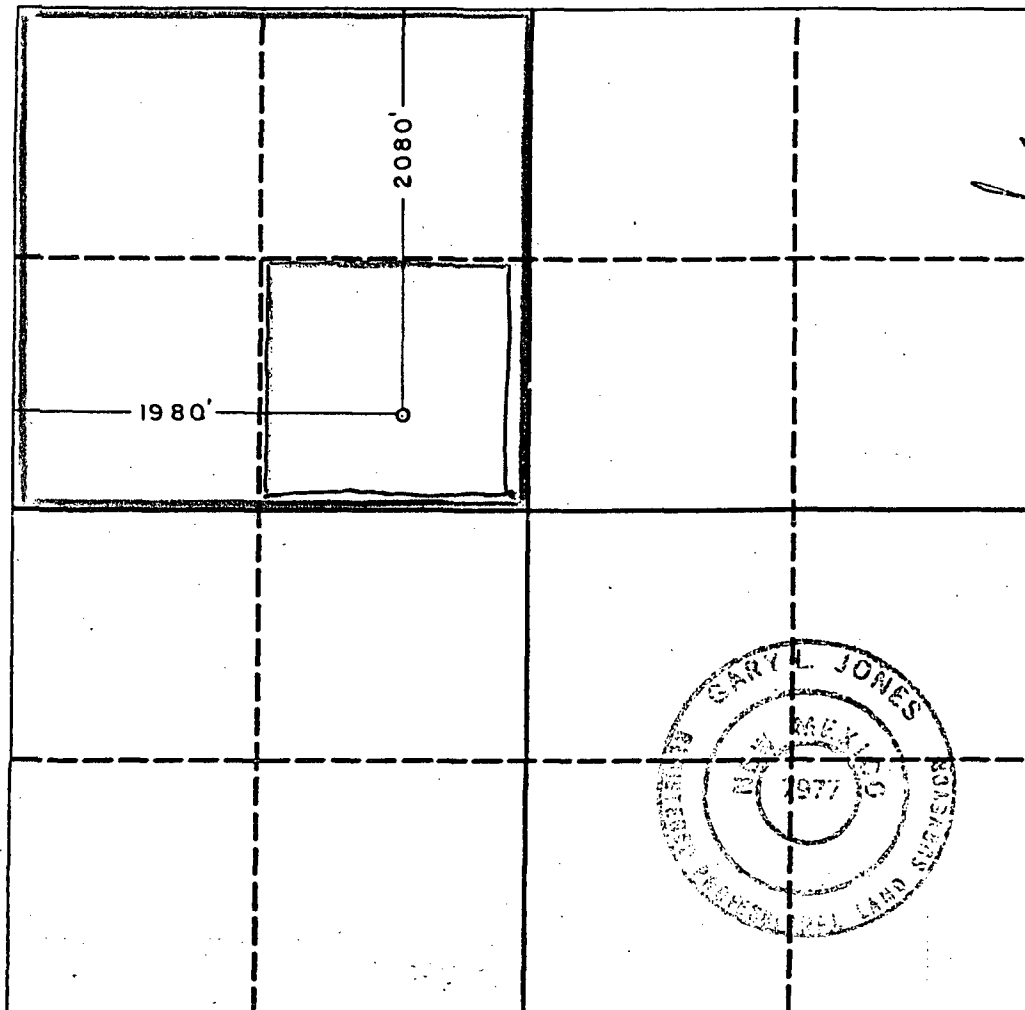
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☒ Yes ☐ No If answer is "yes" type of consolidation Pooled

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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature

Printed Name

H. Scott Davis

Position

Agent

Company

Melzer Exploration Co.

Date

9/2/91

SURVEYOR CERTIFICATION

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

8-30-91

Signature & Seal of
Professional Surveyor

Signature: Gary L. Jones
Certificate No. JOHN W. WEST, 676
GARY C. JONES R.L.S. 7977

P 555 995 044

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to		Farris Nelson/Zia Energy	
Street and No.		P.O. Box 2219	
P.O. State and ZIP Code		HOBBS, NM 88240	
Postage	\$	29	
Certified Fee		100	
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt showing to whom and Date Delivered		100	
Return Receipt showing to whom, Date, and Address of Delivery			
TOTAL Postage and Fees	\$	229	
Postmark		TX DOWNTOWN STA. SEP 11 1991	

PS Form 3800, June 1985

U.S.G.P.O. 1989-234-555

P 555 995 045

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to		Scott Sheffield/MGF OIL	
Street and No.		P.O. Box 3178	
P.O. State and ZIP Code		Midland, TX 79702	
Postage	\$	29	
Certified Fee		100	
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt showing to whom and Date Delivered		100	
Return Receipt showing to whom, Date, and Address of Delivery			
TOTAL Postage and Fees	\$	229	
Postmark		TX DOWNTOWN STA. SEP 11 1991	

PS Form 3800, June 1985

U.S.G.P.O. 1989-234-555