

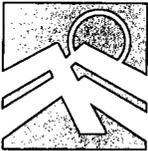
OIL CONSERVATION DIVISION
RECEIVED

January 26, 1993

'93 JAN 27 AM 9 55

Mr. Mike Stogner
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

Re: *Application for Unorthodox Well Location*
Apache "25" Federal Well No. 1
Section 25, Township 22 South, Range 33 East
Eddy County, New Mexico



Dear Mr. Stogner:

Mitchell Energy Corporation (MEC) requests administrative approval of an unorthodox location for the subject well, pursuant to the provisions of Rule 104 F. (1). MEC attempted to permit this well at an orthodox location, but the Application for Permit to Drill was denied by the Bureau of Land Management (BLM) due to potash restrictions (see attached letter dated August 21, 1992). A new APD was filed on December 2, 1992 at a location 660' FEL and 1730' FNL of Section 25, T22S, R33E. Per the BLM's November 18, 1992 letter (copy attached), the new location is approvable with respect to potash restrictions; however, it will require an unorthodox location.

A plat showing the ownership of all tracts offsetting the spacing unit for the subject well is attached. A copy of this application is being sent to each of these parties.

If you have any questions concerning this matter, please contact me at 713-377-5818.

Sincerely,

MITCHELL ENERGY CORPORATION

A handwritten signature in black ink, appearing to read 'M. Stephenson', written over a horizontal line.

Mark N. Stephenson
Manager
Production-Regulatory Affairs

MNS:mtb
stogner.mns

cc: All Parties on attached Certificate of Service - *Via Certified Mail*

enc.

Service List
Application of Mitchell Energy Corporation
for Unorthodox Well Location
Apache "25" Federal Well No. 1
Eddy County, New Mexico

Plat Tracts 1, 2, 3, & 5

Perry R. Bass, Inc.
Lee M. Bass, Inc.
Sid R. Bass, Inc.
ThruLine, Inc.
Keystone, Inc.
 Bass Enterprises Production Co.
 Attn: Jens Hansen
 201 Main Street
 Ft. Worth, Texas 76102-3105

Plat Tracts 4 & 7

Conoco, Inc.
Attn: Mike Johnson
10 Desta Drive West
Midland, Texas 79705

Plat Tracts 2 & 3

Arco Oil & Gas Company
P.O. Box 1610
Midland, Texas 79702

Plat Tracts 8 & 9

Dept. of Energy
Waste Isolation Pilot Project
P.O. Box 2078
Carlsbad, New Mexico 88221



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Rd.
P.O. Box 27115
Santa Fe, New Mexico 87502-7115



IN REPLY REFER TO:
3160 (067)
NM-89052

CERTIFIED--RETURN RECEIPT REQUESTED
P 696 486 646

AUG 21 1992

Mitchell Energy Corporation
Attention: George Mullen
P. O. Box 4000
The Woodlands, TX 77387-4000

RE: Apache "25" Federal Well No. 1
NM-89052
990' FNL & 1980' FEL, Sec. 25, T22S, R30E
Eddy County, New Mexico

Dear Mr. Mullen:

On June 15, 1992, this office received an Application for Permit to Drill (APD) for the above referenced well location. This location falls within the designated Secretary's Potash Area as defined in the 1986 Secretary's Order.

Considerable time has been spent evaluating the physical characteristics of the ore body and the feasibility of economically mining potash in the subject area. A mineralogical evaluation of the various ore zones in the area leads us to conclude that the well site is located within a "Potash Enclave". Therefore, the drilling of this well may result in undue waste of potash.

In accordance with the 1986 Secretary's Order, the APD can not be approved at the present location. Therefore, your APD is returned unapproved. However, a well could possibly be obtained by drilling directionally from a location 1500 feet to the southeast. As an alternative, a vertical well could be drilled from the same location to the southeast.

This decision was given serious consideration by the Bureau of Land Management (BLM), regrettably, it may have an adverse impact to your company. Therefore, and in accordance with 43 CFR 3165.4, you may appeal this decision to the Interior Board of Land Appeals according to the procedures outlined on the enclosed Form 1842-1. Please contact Tony Herrell at (505) 887-6544, if you have any further questions.

Sincerely,

Larry L. Woodard
State Director

2 Enclosures:

- 1 - Form 1842-1
- 2 - APD's (5 copies)

RECEIVED

AUG 24 1992

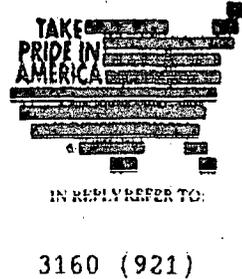
PRODUCTION
REGULATORY AFFAIRS



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodco Rd.
P.O. Box 27115
Santa Fe, New Mexico 87502-7115



NOV 18 1992

Mitchell Energy Corporation
Attention: Mr. Mark N. Stephenson
2001 Timberloch Place
P. O. Box 4000
The Woodlands, TX 77387-4000

Dear Mr. Stephenson:

This letter is in response to your request for additional information supporting the denial of the Application for Permit to Drill (APD) the Apache 25 Federal Well No. 1.

You state that the reasons for denial are incorrect and the BLM 1984 "Potash Map" shows most of section 25 as barren of minable potash reserves. You contend that the nearest mining operations are over a mile away, and you know of no active or planned mining operations in the immediate vicinity of the proposed drill site.

Rationale for the APD denial.

The Carlsbad Resource Area denied the application due to the proximity of the proposed well site to the potash enclave. The proposed drill site is less than one-half mile from the potash enclave. The one-half mile safety zone is applied for gas wells and one-quarter mile for oil wells.

These distances are in the 1986 Secretary's Order under Section E(4) of the order concerning oil and gas drilling in the potash area, which states "Applications for permits to drill vertical test wells for oil and gas at locations that are in the Potash Area but outside of the State of New Mexico's 'Oil-Potash Area' and which do not directly offset an enclave (within one-quarter mile if an oil test well or one-half mile if a gas test well) shall be routinely processed by the authorized officer."

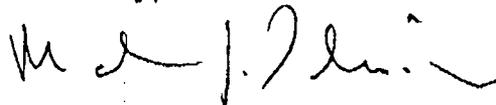
The well location is within one-half mile of the potash enclave therefore, the approval of this APD is not routine. The well location is approximately 1.7 miles from the existing mine workings of Western Ag Minerals Company. Western Ag has normally performed first or second mining on the east side of the mine. They are performing first mining on the east and west sides of the mine. Therefore, we believe that first and second mining operations will continue to advance toward the proposed well location.

We conclude that the drilling of this well will endanger future mining operations, which will result in undue waste of potash.

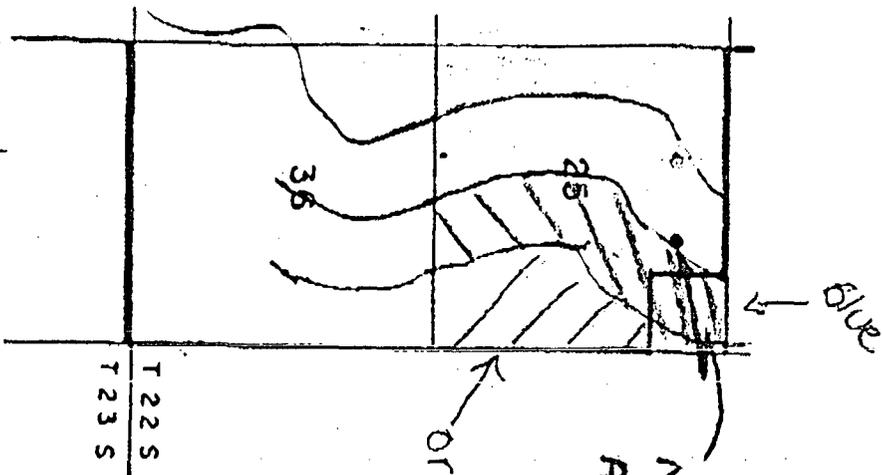
Enclosed, as you requested, is a map of the area in which we believe oil and gas well drilling will not adversely affect potash resources. The areas shown in blue and orange on the map are acceptable for oil well and for oil and/or gas well exploration respectively. This map is based on potash resources. Any new proposed well site must be submitted with a new APD and is subject to a NEPA review.

If you need any additional information, please contact Ray Thompson or Jim Olsen at (505) 438-7500.

Sincerely,

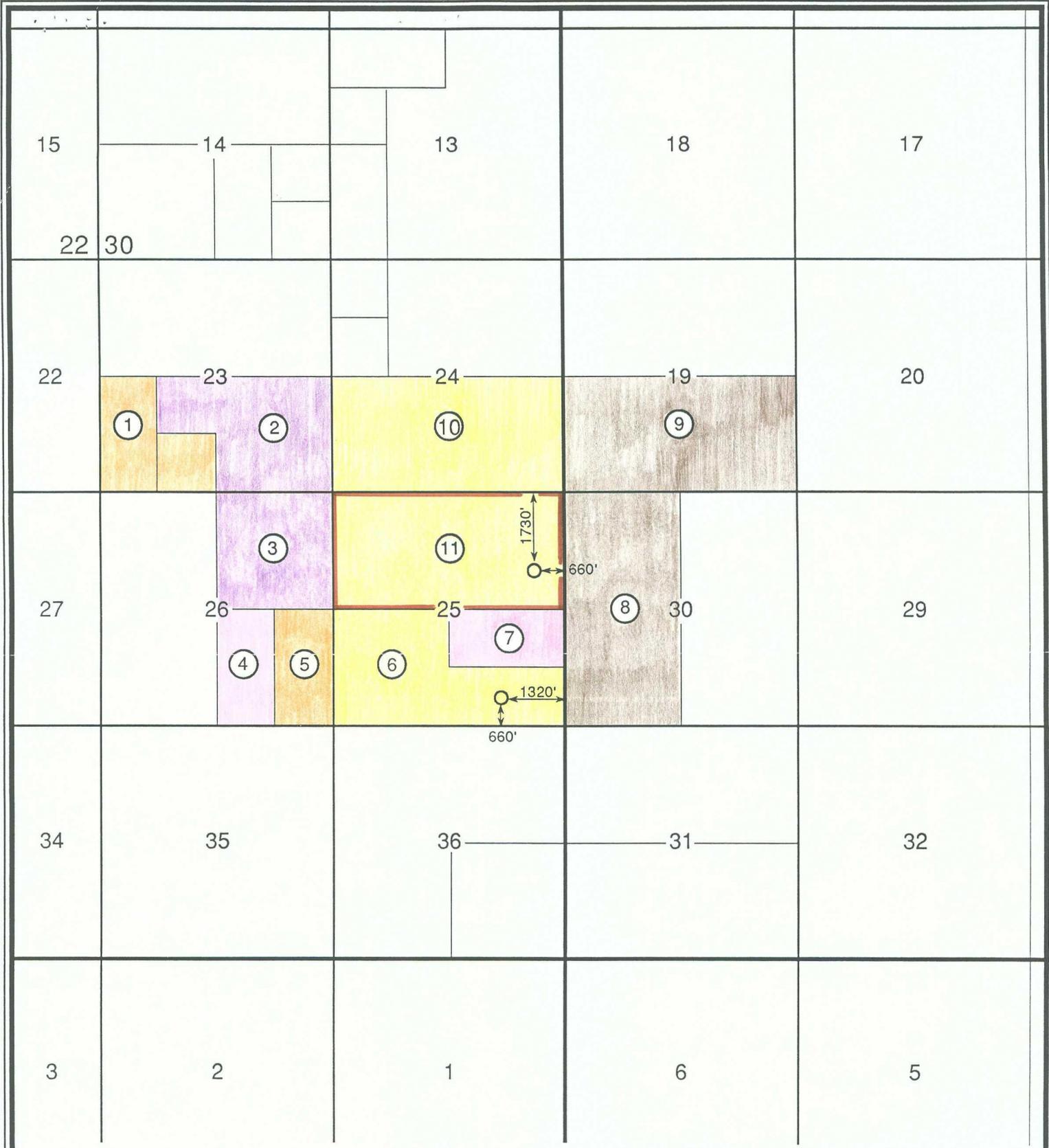

Larry L. Woodard
State Director

1 Enclosure



Blue — Oil wells
 Orange — Oil and Gas wells

MITCHELL ENERGY
 APACHE "25" FEDERAL # 1



LEGEND

Plat Tracts

- 1,2,3&5 Perry R. Bass, Inc. et al
- 4&7 Conoco Inc.
- 2&3 Arco Oil & Gas Co.
- 8&9 Department of Energy (WIPP)
- 6,10&11 Mitchell Energy Corp.



Mitchell Energy Corporation
 P.O. BOX 4000 • THE WOODLANDS, TEXAS 77387-4000

Offset Operators for Unorthodox Well Location
 Apache "25" Federal Well No. 1
 Sec. 25, T22S, R30E
 Eddy County, New Mexico

DATE: 11-12-92

SCALE: 1"=3000'