

VIA FEDERAL EXPRESS

OIL CONSERVATION DIVISION
RECEIVED

January 11, 1994

94 JAN 12 AM 9 32

Mr. Michael Stogner
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87504

Re: Unorthodox Well Location
Milky Way State Well No. 1
Undesignated West Reeves (Queen) Pool
Lea County, New Mexico

Dear Mr. Stogner:



The Milky Way State No. 1 well was drilled under Compulsory Pool Order #R-9209 and completed in the Mid-Vacuum Delaware Pool. The production out of the Delaware pool has ceased and Mitchell would now like to plug back this well and recomplete it into the Undesignated West Reeves (Queen) Pool. The location for this well was originally dictated by numerous pipelines which run through our lease.

In this regard, Mitchell hereby requests administrative approval for an exception to Rule 104(C)(2) in order to recomplete the Milky Way State No. 1 well at an unorthodox location.

To aid you in processing this request, I have enclosed the following information:

- Copy of Form C-101 - Application to Plug Back
- Copy of Form C-102 (the attachment to this form shows the numerous pipelines on the lease)
- Plat which reflects Offset Operators
- Certificate of Service

Should you require additional information or if I can be of any further help, kindly advise.

Very truly yours,

MITCHELL ENERGY CORPORATION

A handwritten signature in cursive script that reads "George Mullen". The signature is written in black ink on a white background.

George Mullen
Regulatory Affairs Specialist

GM:mw
OCD1.gm

cc: OCD - Hobbs
Offset Operators - Certified Mail

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 30941
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. V-1565

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL <input type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input checked="" type="checkbox"/>	7. Lease Name or Unit Agreement Name Milky Way State
b. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	

2. Name of Operator Mitchell Energy Corporation	8. Well No. 1
--	------------------

3. Address of Operator P.O. Box 4000, The Woodlands, Texas 77387-4000	9. Pool name or Wildcat West Reeves (Queen)
--	--

4. Well Location Unit Letter <u>I</u> : <u>1,700</u> Feet From The <u>south</u> Line and <u>330</u> Feet From The <u>east</u> Line Section <u>17</u> Township <u>18S</u> Range <u>35E</u> NMPM <u>Lea</u> County
--

10. Proposed Depth 5,380	11. Formation Queen	12. Rotary or C.T. Rotary
-----------------------------	------------------------	------------------------------

13. Elevations (Show whether DF, RT, GR, etc.) 3938 GR	14. Kind & Status Plug. Bond Blanket on File	15. Drilling Contractor	16. Approx. Date Work will start ASAP
---	---	-------------------------	--

17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17-1/2"	13-3/8"	54.5#	391'	445 sx	Surface
12-1/4"	8-5/8"	32#	3350'	1100sx + 900sx	Surface
				thru DV @ 1765'	
7-7/8"	5-1/2"	15.5#	6652'	810 sx	Surface

Mitchell plans to recomplate this well from the Mid-Vacuum Delaware Pool (5396'-5416') to the undesignated West Reeves Queen Pool (4327'-4339'). A CIBP will be set at 5,380' with 30' of cement dumped on top to isolate the Delaware perforations.

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 George Mullen TITLE Reg. Affairs Specialist DATE 01-10-94
 TYPE OR PRINT NAME George Mullen TELEPHONE NO. (713)377-5855

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

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

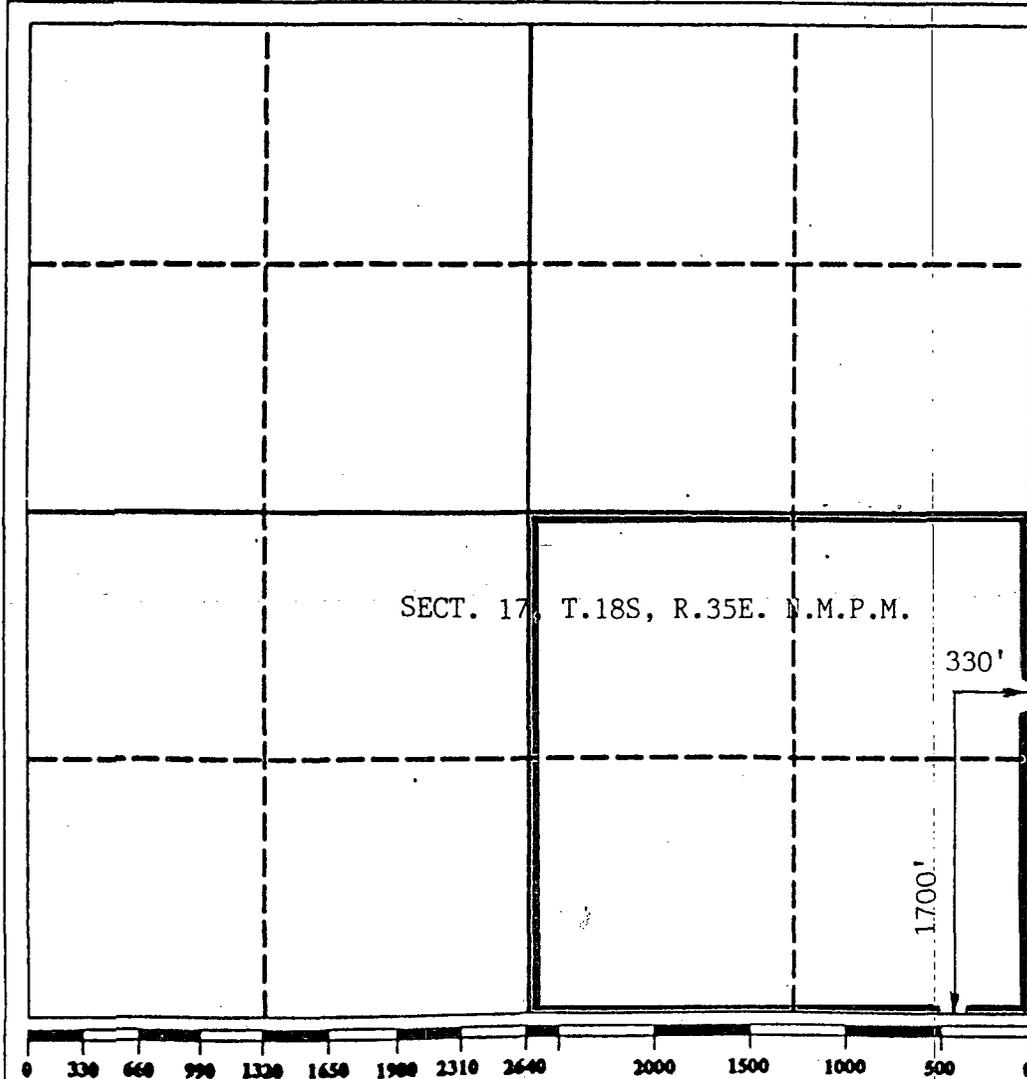
DISTRICT II
 P.O. Drawer DD, Aztec, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

Operator MITCHELL ENERGY Corporation			Lease MILKY WAY STATE		Well No. #1
Unit Letter I	Section 17	Township T.18S.	Range R.35E.	County LEA	
Actual Footage Location of Well: 1700 feet from the FSL line and			330 feet from the FEL line		
Ground level Elev. 3938	Producing Formation Queen	Pool Undesignated Reeves (Queen)		Dedicated Acreage: 160 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 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 Compulsory Pooling Order# R-9209
 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: George Mullen
 Printed Name: George Mullen
 Position: Reg. Affairs Specialist
 Company: Mitchell Energy Corp.
 Date: January 10, 1994

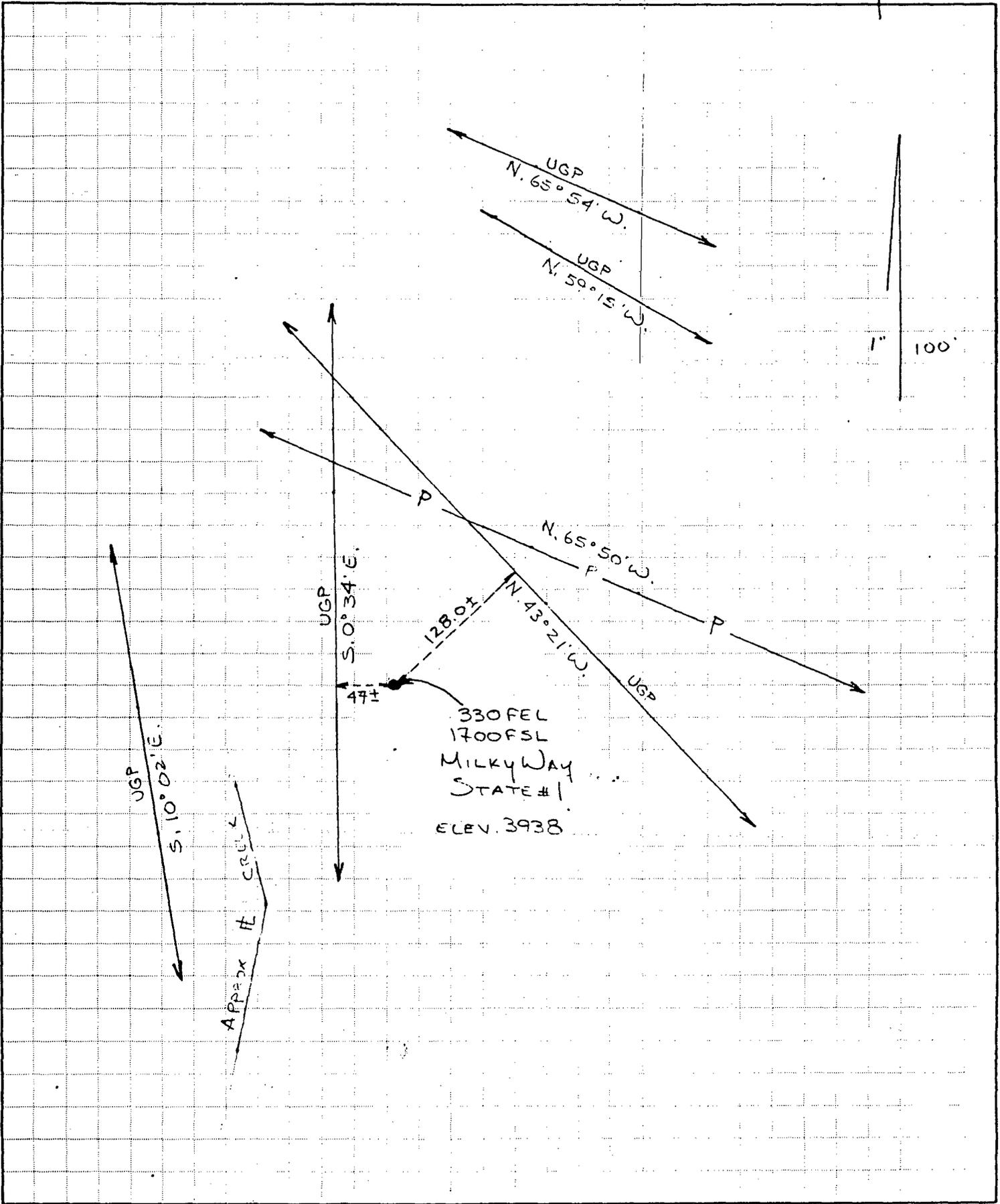
SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

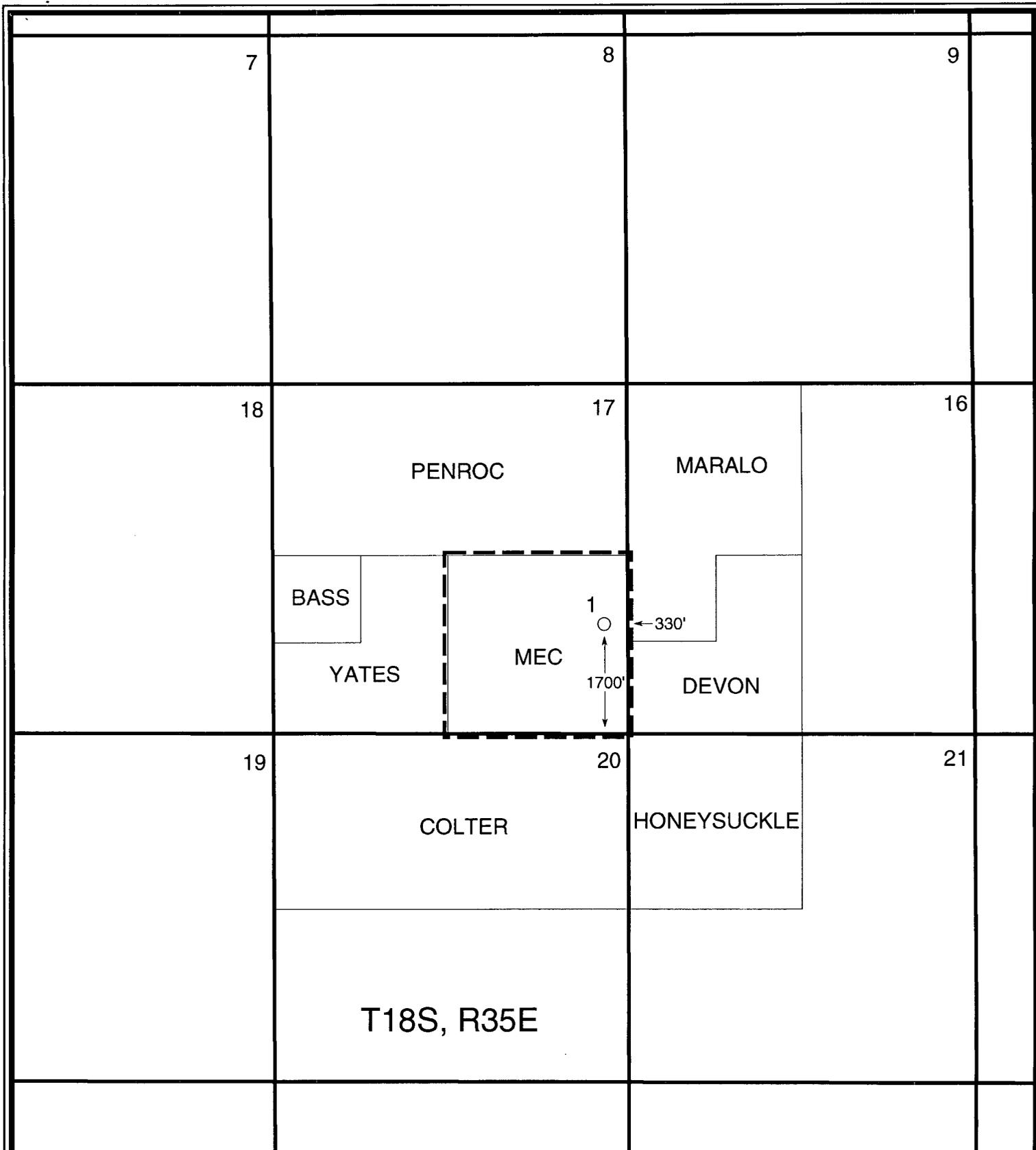
Date Surveyed: 7/10/90
 Signature & Seal of Professional Surveyor: John Jaques
 Certificate No. AND SURVEYOR: 6290
 REGISTERED PROFESSIONAL ENGINEER

BESS Pg 30

JOHN D. JAQU ³
 CONSULTING ENGINEERS
 P.O. Box 2565
 ROSWELL, NEW MEXICO 88201
 (505) 622-8866

JOB MILKYWAY STATE #1
 SHEET NO. _____ OF _____
 CALCULATED BY _____ DATE _____
 CHECKED BY _____ DATE _____
 SCALE MITCHELL ENERGY






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

Offset Operators for Unorthodox Well Location
 Milky Way State No. 1
 Undesignated West Reeves (Queen) Pool
 Lea County, New Mexico

DATE: 01-10-94 SCALE: 1"=2000'

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Mitchell Energy Corporation's Application for an Unorthodox Well Location for its Milky Way State Well No. 1, was sent to each of the below named offset operators by certified mail on January 11, 1994.

Penroc Oil Corporation
P.O. Box 5970
Hobbs, New Mexico 88241

Devon Energy Corporation
20 North Broadway, Ste. 1500
Oklahoma City, Oklahoma 73102

Bass Enterprises Production Co.
First City Bank Tower, Ste. 201
Fort Worth, Texas 76201

Honeysuckle Exploration Corp.
450 Petroleum Club Bldg.
Denver, Colorado 80202

Yates Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210

Colter Operating Company, Inc.
c/o Watson & Cox Oil & Gas
P.O. Box 50388
Midland, Texas 79710

Maralo, Inc.
P.O. Box 832
Midland, Texas 79702


George Mullen
Regulatory Affairs Specialist

OIL CONSERVATION DIVISION
RECEIVED

1994 FEB 14 AM 8 35

February 7, 1994

Mr. Michael Stogner
Oil Conservation Division
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87504



Re: UNORTHODOX WELL LOCATION
MILKY WAY STATE WELL NO. 1
Undesignated West Reeves (Queen) Pool
Lea County, New Mexico

Dear Mr. Stogner:

Enclosed for your review and file you will find copies of the certified cards whereby the Offset Operators to the subject well were notified of Mitchell's application.

If I can be of any further help in this matter, kindly advise.

Very truly yours,

MITCHELL ENERGY CORPORATION

A handwritten signature in cursive script that reads "George Mullen".

George Mullen
Regulatory Affairs Specialist

GM:mw
OCDNMMS.GM

Enclosures

Is your RETURN ADDRESS completed on the reverse side?

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: JFG Enterprises PO Box 100 Artesia, NM 88211-0100		4a. Article Number P 225 375 418	
5. Signature (Addressee) <i>Betty K. Lee</i>		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
6. Signature (Agent)		7. Date of Delivery <i>12-1-94</i>	
		8. Addressee's Address (Only if requested and fee is paid)	

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Penroc Oil Corporation PO Box 5970 Hobbs, NM 88241		4a. Article Number P 225 376 354	
5. Signature (Addressee) <i>[Signature]</i>		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
6. Signature (Agent) <i>[Signature]</i>		7. Date of Delivery <i>12-1-94</i>	
		8. Addressee's Address (Only if requested and fee is paid)	

Thank you for using Return Receipt Service.

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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

**Bass Enterprises Prod. Co.
First City Bank Tower, Ste. 2600
Ft. Worth, TX 76201**

4a. Article Number
P 225 376 355

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
JAN 18 1994

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form **3811**, December 1991 ☆ U.S.G.P.O. : 1992-307-530 **DOMESTIC RETURN RECEIPT**

Postmark or Date

Thank you for using Return Receipt Service.

PS Form 3800

is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

**Yates Petroleum Corp.
105 South 4th Street
Artesia, NM 88210**

4a. Article Number
P 225 376 356

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
1-17-94

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form **3811**, December 1991 ☆ U.S.G.P.O. : 1992-307-530 **DOMESTIC RETURN RECEIPT**

Postmark or Date

Thank you for using Return Receipt Service.

PS Form 3800

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Devon Energy Corporation
20 North Broadway, Ste. 1500
Oklahoma City, OK 73102

4a. Article Number
P 225 375 414

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
1/14/94

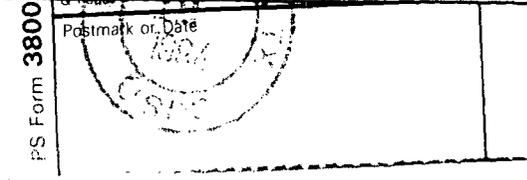
5. Signature (Addressee)

6. Signature (Agent)
[Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.



SENDER:

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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Maralo, Inc.
PO Box 832
Midland, TX 79702

4a. Article Number
P 225 376 357

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
1-14-94

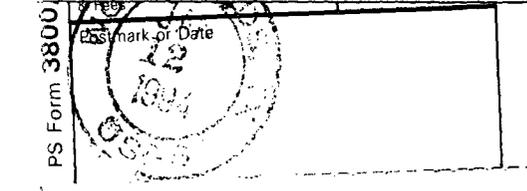
5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.



PLEASE USE BLACK INK ONLY!!!!!!!!!!!!!!!!!!!!

FACSIMILE TRANSMISSION ROUTING SLIP

DATE: 1-28-94
 MESSAGE TO: MR. MICHAEL STOGNER
 COMPANY NAME: OIL CONSERVATION DIVISION
 CITY: SANTA FE, NEW MEXICO
 FACSIMILE NUMBER: (505) 827-5741
 MESSAGE FROM: GEORGE MULLEN
 NUMBER OF PAGES INCLUDING THIS SHEET: 6
 RETURN BY MAIL X THROW AWAY WHEN SENT _____



!!!!!!!!!!!!!!IF THIS IS A LONG DISTANCE CALL, PLEASE LEAVE YOUR LONG DISTANCE CODE NUMBER!!!!!!!!!!!!!!

COMMENTS: _____

IF YOU DO NOT RECEIVE ALL PAGES, PLEASE CALL TRACI AT (713)377-5929. THANK YOU!

new surpline date 2/17/94

SENDER:
 Complete items 1 and/or 2 for additional services.
 Complete items 3, and 4a & b.
 Print your name and address on the reverse of this form so that we can return this card to you.
 Attach this form to the front of the mailpiece, or on the back if space does not permit.
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I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
Devon Energy Corporation
20 North Broadway, Ste. 1500
Oklahoma City, OK 73102

4a. Article Number
P 225 375 414

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

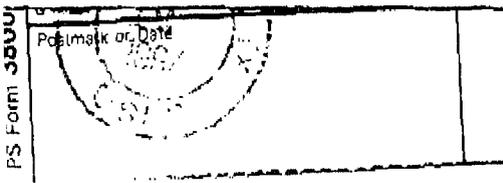
7. Date of Delivery
1/14/94

5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 **DOMESTIC RETURN RECEIPT**



SENDER:
 Complete items 1 and/or 2 for additional services.
 Complete items 3, and 4a & b.
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 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

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Maralo, Inc.
PO Box 832
Midland, TX 79702

4a. Article Number
P 225 376 357

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

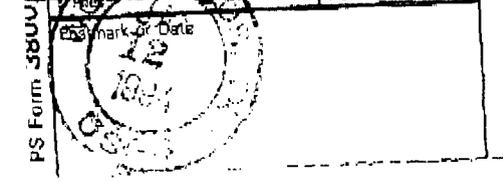
7. Date of Delivery
1-14-94

5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 **DOMESTIC RETURN RECEIPT**



SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

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3. Article Addressed to:

Bass Enterprises Prod. Co.
First City Bank Tower, Ste. 2000
Ft. Worth, TX 76201

4a. Article Number
P 225 376 355

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
JAN 18 1994

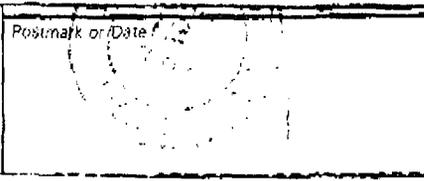
5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 * U.S.P.O. : 1992-307-630 **DOMESTIC RETURN RECEIPT**



SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Yates Petroleum Corp.
105 South 4th Street
Artesia, NM 88210

4a. Article Number
P 225 376 356

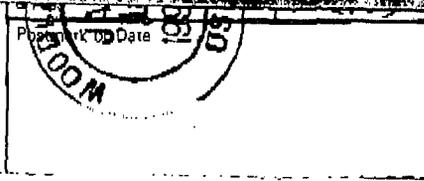
4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
1-17-94

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 * U.S.P.O. : 1992-307-630 **DOMESTIC RETURN RECEIPT**



Thank you for using Return Receipt Service.

P 225 375 415

Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)



Sent to	Honeysuckle Exploration Corp.
Street and No.	450 Petroleum Club Bldg.
P.O., State and ZIP Code	RECEIVED DENVER, CO 80202
Postage	\$
Certified Fee	JAN 13 1994
Special Delivery Fee	
Restricted Delivery Fee	PRODUCTION LABORATORY AFFAIRS
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Address	
TOTAL Rates & Fees	\$
Postage or Fee	

PS Form 3800, June 1991

George Mullen / MND-35

P 225 376 354

Receipt for Certified Mail

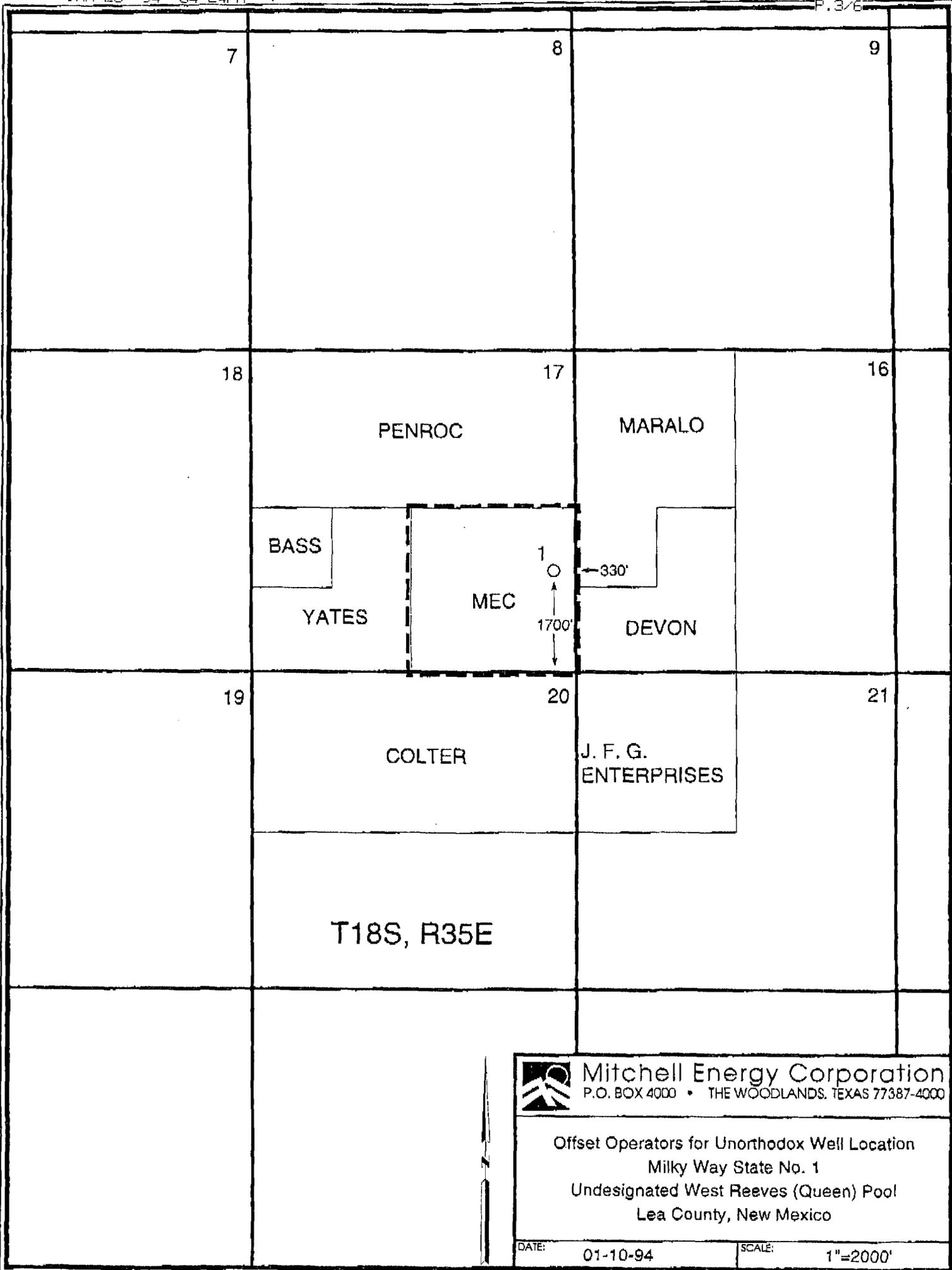
No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)



Sent to	Penroc Oil Corporation
Street and No.	RECEIVED PO Box 3970
P.O., State and ZIP Code	Hobbs, NM 88001
Postage	JAN 13 1994
Certified Fee	\$ 75
Special Delivery Fee	
Restricted Delivery Fee	PRODUCTION LABORATORY AFFAIRS
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Address	
TOTAL Rates & Fees	\$ 2.75
Postage or Fee	

PS Form 3800, June 1991

George Mullen - MND-35



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

Offset Operators for Unorthodox Well Location
 Milky Way State No. 1
 Undesignated West Reeves (Queen) Pool
 Lea County, New Mexico

DATE: 01-10-94 SCALE: 1"=2000'

CERTIFIED MAIL
Receipt No. P 225 375 418

January 28, 1994

JFG Enterprises
P.O. Box 100
Artesia, New Mexico 88211-0100

Re: UNORTHODOX WELL LOCATION
MILKY WAY STATE WELL NO. 1
Undesignated West Reeves (Queen) Pool
Lea County, New Mexico



Gentlemen:

Enclosed for your review you will find a copy of Mitchell's request for administrative approval of the unorthodox well location of the subject well. This notice was originally sent to Honeysuckle Exploration Corp., but upon further review Mitchell determined that JFG Enterprises was the operator of the NW/4 of Section 21, T18S, R35E..

Please review the enclosed information at your earliest convenience and if you have no objection to this request sign below and return two copies of this letter to the undersigned in the enclosed envelope.

Thank you in advance for your prompt attention to this matter and if I can be of any further help, kindly advise.

Very truly yours,

MITCHELL ENERGY CORPORATION

George Mullen
Regulatory Affairs Specialist

GM:mw
JFGUWL.GM

Enclosures

JFG Enterprises has no objection to the unorthodox well location of Mitchell's Milky Way State No. 1 well to be recompleted in the West Reeves (Queen) Pool.

By: _____

Title: _____

Date: _____

USE USE BLACK INK ONLY!!!!!!!!!!!!!!!!!!!!

NSL-3354

FACSIMILE TRANSMISSION ROUTING SLIP

DATE: 3-1-94
 MESSAGE TO: MR MICHAEL STOGNER
 COMPANY NAME: OIL CONSERVATION DIVISION
 CITY: SANTA FE, NEW MEXICO
 FACSIMILE NUMBER: (505) 827-5741
 MESSAGE FROM: GEORGE MULLEN
 NUMBER OF PAGES INCLUDING THIS SHEET: 2
 RETURN BY MAIL _____ THROW AWAY WHEN SENT X



!!!!!!!!!!!!!!!!!!!!IF THIS IS A LONG DISTANCE CALL, PLEASE LEAVE YOUR LONG DISTANCE CODE NUMBER!!!!!!!!!!!!!!!!!!!!

COMMENTS: MIKE,
I HAVE ATTACHED A WAIVER
LETTER ON OUR UNORTHODOX
WELL LOCATION FOR THE MILKY WAY
STATE #1 (ADMINISTRATIVE ORDER
NSL-3354) FOR YOUR FILE. THANKS
FOR YOUR HELP.
George

IF YOU DO NOT RECEIVE ALL PAGES, PLEASE CALL TRACI AT (713)377-5929. THANK YOU!

CERTIFIED MAIL
Receipt No. P 225 375 420

RECEIVED

February 8, 1994

MAR 1 1994

**PRODUCTION
REGULATORY AFFAIRS**

Colter Operating, Inc.
Box 7671
Horseshoe Bay, Texas 78654-9201

Re: UNORTHODOX WELL LOCATION
MILKY WAY STATE WELL NO. 1
Undesignated West Reeves (Queen) Pool
Lea County, New Mexico



Gentlemen:

Enclosed for your review you will find a copy of Mitchell's request for administrative approval of the unorthodox well location of the subject well. This notice was originally sent to an incorrect address.

Please review the enclosed information at your earliest convenience and if you have no objection to this request sign below and return two copies of this letter to the undersigned in the enclosed envelope.

Thank you in advance for your prompt attention to this matter and if I can be of any further help, kindly let me know.

Very truly,

MITCHELL ENERGY CORPORATION

George Mullan
Regulatory Affairs Specialist

GMW
LJWLG.M

Enclosures

Colter Operating, Inc. has no objection to the unorthodox well location of Mitchell's Milky Way State No. 1 well to be recompleted in the West Reeves (Queen) Pool.

By: J. A. Colter
Title: Pres
Date: 2-24-94

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9966
ORDER NO. R-9209

APPLICATION OF MITCHELL ENERGY
CORPORATION FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 13, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of June, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Mitchell Energy Corporation, seeks an order pooling all mineral interests from the surface to the base of the Delaware formation or to a depth of 6700 feet, whichever is deeper, underlying the following described acreage in Section 17, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, and in the following described manner:

the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the Undesignated West Reeves-Queen Gas Pool); and

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Order No. R-9209
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the NE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the Undesignated Vacuum Grayburg-San Andres Pool and Undesignated Reeves-Queen Pool).

(3) Said units are to be dedicated to a single well to be drilled 1980 feet from the South line and 330 feet from the East line (Unit I) of said Section 17.

(4) Said well location is standard for those zones which are spaced on 40 acres, however, is unorthodox for 160-acre spacing.

(5) The primary zone of interest in this matter is the deeper Delaware formation, which is spaced on 40 acres. Should said well be recompleted in a zone which is spaced on 160 acres, the operator should make an appropriate filing pursuant to the applicable rules for said unorthodox location.

(6) The applicant has the right to produce hydrocarbons underlying the proposed units.

(7) There are interest owners in said units who have not agreed to pool their interests.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(9) The applicant should be designated the operator of the subject well and units.

(10) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(11) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) \$4700.00 per month while drilling and \$470.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(16) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1990, the order pooling said units should become null and void and of no further effect whatsoever.

(17) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(18) The operator of the well and any applicable unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, are hereby pooled from the surface to the base of the Delaware formation, or to a depth of 6700 feet, whichever is deeper, underlying the following described acreage in Section 17, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico and in the following described manner:

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the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the Undesignated West Reeves-Queen Gas Pool); and

the NE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the Undesignated Vacuum Grayburg-San Andres Pool and Undesignated Reeves-Queen Pool).

(2) Said units are to be dedicated to a single well to be drilled 1980 feet from the South line and 330 feet from the East line (Unit I) of said Section 17, which is a standard location for zones spaced on 40 acres.

PROVIDED HOWEVER THAT, the operator of said units shall commence the drilling of said well on or before the 15th day of September, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth of 6700 feet or to a depth sufficient to test the Delaware formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1990, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(3) At any time said well is recompleted to a zone spaced on 160 acres, the operator shall obtain proper authorization for an unorthodox location pursuant to any applicable rules and regulations.

(4) Mitchell Energy Corporation is hereby designated the operator of the subject well and units.

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(5) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject units an itemized schedule of estimated well costs.

(6) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs

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attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(10) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) \$4700.00 per month while drilling and \$470.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(15) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the subject well and units shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(17) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "William J. Lemay", is written over the typed name. The signature is fluid and extends to the right, with a long vertical line at the end.

WILLIAM J. LEMAY
Director

S E A L

County Lea Pool West Reeves - Queen Gas

TOWNSHIP 18 S. Range 35 E. 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

The grid shows sections 6 through 36. Section 17 is shaded with diagonal lines. Section 20 is outlined with a thicker border.

Desc.: NW 1/4 Sec 20 (R-6724, 7-16-81)

Ext: E 1/2 Sec. 20 (R-7131, 11-30-82)