

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
- Engineering Bureau -

**ADMINISTRATIVE APPLICATION COVERSHEET**

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]

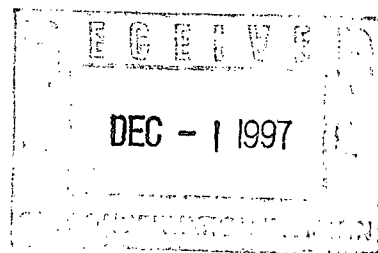
**[1] TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Directional Drilling  
☒ NSL    ☐ NSP    ☐ DD    ☐ SD

Check One Only for [B] or [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 (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

**JAMES BRUCE**  
P.O. BOX 1056  
SANTA FE, NM 87504

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

Print or Type Name

Signature

Title

Date

*James Bruce*      *Attorney for Applicant*      12/1/97

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

December 1, 1997

Hand Delivered

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Chi Energy, Inc. ("Chi") applies for administrative approval of an unorthodox gas well location for the following well:

USA "9" Well No. 2  
600 feet FNL & 510 feet FEL  
E½ S9, Township 20 South, Range 28 East, NMPM  
Eddy County, New Mexico

The well will be drilled to test the Morrow formation (Undesignated Burton Flat-Morrow Gas Pool). Well spacing is 320 acres, with wells to be located no closer than 1980 feet from the end line and 660 feet from the side line of the unit. Attached hereto as Exhibit A are an APD (BLM Form 3160-3) and a Form C-102.

The primary zone of interest is the Morrow formation. Attached as Exhibit B is a combination structure/isopach map of the Lower Morrow, which shows that the Morrow sands should be thick in the proposed location, and should also be structurally high. The Morrow "high" most likely exists due to a small north-south fault in the W½ of Section 10. These faults are common in the area. Locating the well near the fault should result in encountering the Morrow sands in the most structurally advantageous position. Structure is the key: The well in the NE¼SE¼ of Section 9 encountered good Morrow reservoir, but was wet. Chi desires to move the proposed well a significant distance from this wet well, which will substantially lessens the risk in the Morrow.

Attached as Exhibit C is a land plat of the area. The offsetting operators or lessees are:

§§3 and 10-20S-28E  
OXY USA, Inc.  
P.O. Box 50250  
Midland, Texas 79710

E½ §4-10S-28E  
Chi Energy, Inc.

Notice of this application was mailed to OXY USA, Inc. on this date, as indicated by the letter attached hereto as Exhibit D.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for Chi Energy, Inc.

cc: John Qualls

01

Form 3140-3  
(July 1992)

SUBMIT IN TRIPLICATE

(Other instructions on  
reverse side)

FORM APPROVED

OMB NO. 1004-0136

Expires: February 28, 1999

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR DEEPEN

## 1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

## 1b. TYPE OF WELL

OIL WELL ☐GAS WELL ☒OTHER ☐SINGLE BORE ☐MULTIPLE BORE ☐

## 2. NAME OF OPERATOR

Chi Operating, Inc.

915/685-5001

## 3. ADDRESS AND TELEPHONE

P. O. Box 1799

Midland, Texas 79702

## 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

600' FNL &amp; 510' FEL

At proposed prod. core

## 5a. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE

15 miles N of Carlsbad, NM

## 6. DISTANCE FROM NEAREST PROPERTY TO BE DRILLED

510'

## 7. DISTANCE FROM PROPOSED WELL TO NEAREST WELL, DRILLING, COMPLETED, OR ABANDONED WELL, ON THIS LEASE, IF ANY

2701'

## 8. ELEVATION (Show whether BP, BE, OB, etc.)

3274' GL

## 9.

## PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE AND TYPE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8" H-40	48.0#	350'	Circ. 335 BX "C"
11"	8 5/8" J-55	32.0#	3,200'	Circ. 605 BX "C"
7 7/8"	5 1/2" J-55	15.5/17#	11,500'	2 stage tieback 1595 BX "H"
		was required		

## Mud Program

0' - 350': Fresh water Gel/Lime:

350' - 3,200': Cut Brine:

3,200' - 10,500': Cut Brine, seep. control:

10,500' - 11,500': Brine seep. control:

## Mud Wt.

8.6-9.0 ppg

10.0-10.2 ppg

10.0-10.2 ppg

10.0-10.5 ppg

## - Vis.

34-36

28-29

28-29

36-40

## - W/L Control

No W/L control

No W/L control

No W/L control

W/L control 10cc +/-

## BOP Program:

A 11" 5000 psi wp Shaffer Type LWS BOP will be installed on the 13 3/8" casing. Casing and BOP will be tested before drilling out with 11" and will be tested daily.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface location and measured and true vertical depths. Give blowout prevention program, if any.

10.

SIGNED

*Georgel Smith*

TITLE

Agent for,  
Chi Operating, Inc.

DATE

Nov. 25, 1997

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would enable the applicant to conduct operations thereon.  
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

DATE

See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

EXHIBIT

A

Subject to Appropriate  
District Office  
State Leases - 4 copies  
Fee Leases - 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 1900, Hobbs, NM 88240

**DISTRICT II**  
P.O. Box 100, Lordsburg, NM 88210

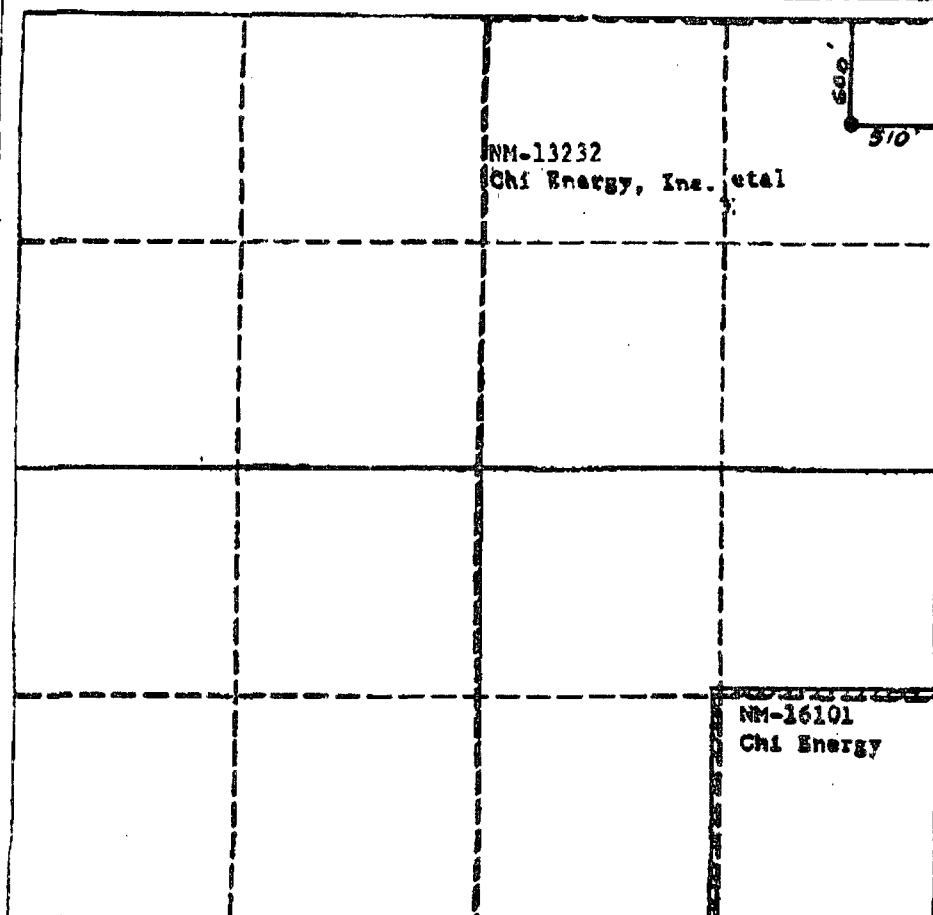
**DISTRICT III**  
1000 Rio Grande Rd., Aztec, NM 87410

## **WELL LOCATION AND ACREAGE DEDICATION PLAT**

All Distances must be from the outer boundaries of the section

Operator <b>CHI OPERATING, INC</b>			Lease <b>USA "9" FEDERAL CON.</b>		Well No. <b>2</b>
Unit Letter <b>A</b>	Section <b>9</b>	Township <b>20 SOUTH</b>	Range <b>28 EAST</b>	County <b>EDDY COUNTY, NM</b>	
Actual Well Location of Well: <b>600</b> feet from the <b>NORTH</b> line and <b>510</b> feet from the <b>EAST</b> line.					
Ground level Elev. <b>3274.</b>	Producing Formation <b>Morrow</b>	Pool <b>Burton Flat Morrow</b>		Dedicated Acreage: <b>320</b> 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 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 acreage will be assigned to the well until all interests have been consolidated (by communitization, unitization, force 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 R. Smith*  
Printed Name  
**George R. Smith**  
Position  
**Agent for:**  
Company  
**Chi Operating, Inc.**  
Date  
**November 25, 1997**

### **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  
**APRIL 10, 1994**  
Signature of Licensed Professional Surveyor  
*[Signature]*  
Professional Seal  
**NEW MEXICO**  
**3412**  
**REGISTERED SURVEYOR**  
**NOV 25 1997**







**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

December 1, 1997

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

OXY USA Inc.  
P.O. Box 50250  
Midland, Texas 79710

Dear Sirs:

Enclosed is a copy of an application for administrative approval of an unorthodox gas well location, filed at the New Mexico Oil Conservation Division by Chi Energy, Inc., regarding the E $\frac{1}{2}$  of Section 9, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico. Chi Energy's records indicate that you are an offset operator to the proposed well unit. If you object to this application, you must notify the Division in writing no later than Monday, December 22, 1997. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner). If you have no objection to the location, Chi Energy would appreciate signing below and returning the letter to me.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.





We waive objection to the above location.

OXY USA Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

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. 9872  
ORDER NO. R-8170-E-1

IN THE MATTER OF CASE 9872 BEING REOPENED PURSUANT TO THE PROVISIONS OF DIVISION ORDER NO. R-9463, WHICH, AMONG OTHER THINGS, PROVIDED FOR THE REOPENING OF SAID CASE 9872 IN ORDER THAT ALL OPERATORS IN THE BURTON FLAT-MORROW GAS POOL, EDDY COUNTY, NEW MEXICO, MAY APPEAR AND PRESENT EVIDENCE RELATIVE TO THE PERMANENT TERMINATION OF GAS PRORATIONING FOR SAID BURTON FLAT-MORROW GAS POOL.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 19, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of October, 1991 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) By Division Order No. R-8170-E, dated April 2, 1990, issued in Case No. 9872 and made effective April 1, 1990, the following provisions affecting the Burton Flat-Morrow Gas Pool, encompassing portions of Townships 20 and 21 South, Ranges 26, 27 and 28 East, NMPM, Eddy County, New Mexico were instituted:
  - a) the prorationing of gas production, pursuant to the provisions of Division Order No. R-8170, as amended, was suspended for a temporary testing period commencing April 1, 1990 and ending June, 1991;

- b) the General Rules and Regulations applicable for Morrow gas wells in Southeast New Mexico were applied to said pool during the testing period;
- c) production records were kept on said pool and reported on the Proration Schedule for Southeast New Mexico during the testing period for statistical purposes only;
- d) the Division retained jurisdiction in this matter should it had been determined at any time during the test period that the pool should again be prorated, each well would have been reassigned its classification and over or under production status as of April 1, 1990; and,
- e) if gas prorationing had been reinstated, each non-marginal well would be assigned a minimum allowable of 750 MCF per day.

(3) The temporary testing period and the provisions of said Order No. R-8170-E were extended to September, 1991 by Division Order No. R-9463, dated March 22, 1991, in order to evaluate the effects of the new six-month allocation periods established by Division Order No. R-8170-H on said pool and to avoid having the pool return to proration in the middle of an allocation period should conditions warrant.

(4) OXY USA, Inc., the applicant in the original hearing, appeared at this hearing and presented evidence showing that since February 1990 the Burton Flat-Morrow Gas Pool:

- a) has shown an increase in gas production;
- b) several new wells have been drilled;
- c) compression installation and work-over activity has increased;
- d) there continues to be a market for all the gas from the pool;
- e) there continues to be support from the vast majority of the interested parties within the pool for deproportion;
- f) no objections were received; and,

- g) no extenuating circumstances have occurred within the pool to support reinstatement of prorationing within the pool.

(5) Testimony also indicates that correlative rights would not be adversely affected since market demand exceeds the pool deliverability.

(6) Prorationing of gas production from the Burton Flat-Morrow Gas Pool should therefore terminate and the Special Rules and Regulations for said pool, as promulgated by Division Order No. R-8170, as amended, should be suspended; concomitantly said pool should be governed by all applicable provisions provided by the Division's Statewide Rules and Regulations.

(7) Allowables established for the Burton Flat-Morrow Gas Pool in the "Proration Schedule for the Six-Month Period October 1991 through March 1992" or any subsequent period should be null and of no effect.

**IT IS THEREFORE ORDERED THAT:**

(1) The Special Rules and Regulations for the Burton Flat-Morrow Gas Pool, as promulgated by Division Order No. R-8170, as amended, are hereby terminated.

**IT IS FURTHER ORDERED THAT:**

(2) The provisions of Division Order No. R-8170-E, dated April 2, 1990, issued in Case No. 9872 and made effective April 1, 1990, which suspended gas prorationing within said pool for a temporary period is hereby continued in full force and effect until further notice of the Division.

(3) Allowables established for the Burton Flat-Morrow Gas Pool in the "Proration Schedule for the Six-Month Period October 1991 through March 1992" or any subsequent period shall be null and of no effect.

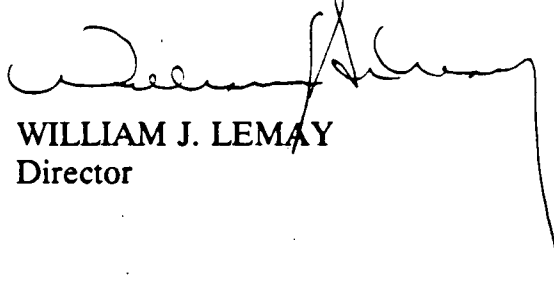
(4) Said pool shall be governed by the General Rules and Regulations applicable for gas wells in Southeast New Mexico currently completed in the Morrow formation.

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

Case No. 9872  
Order No. R-8170-E-1  
Page No. 4

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

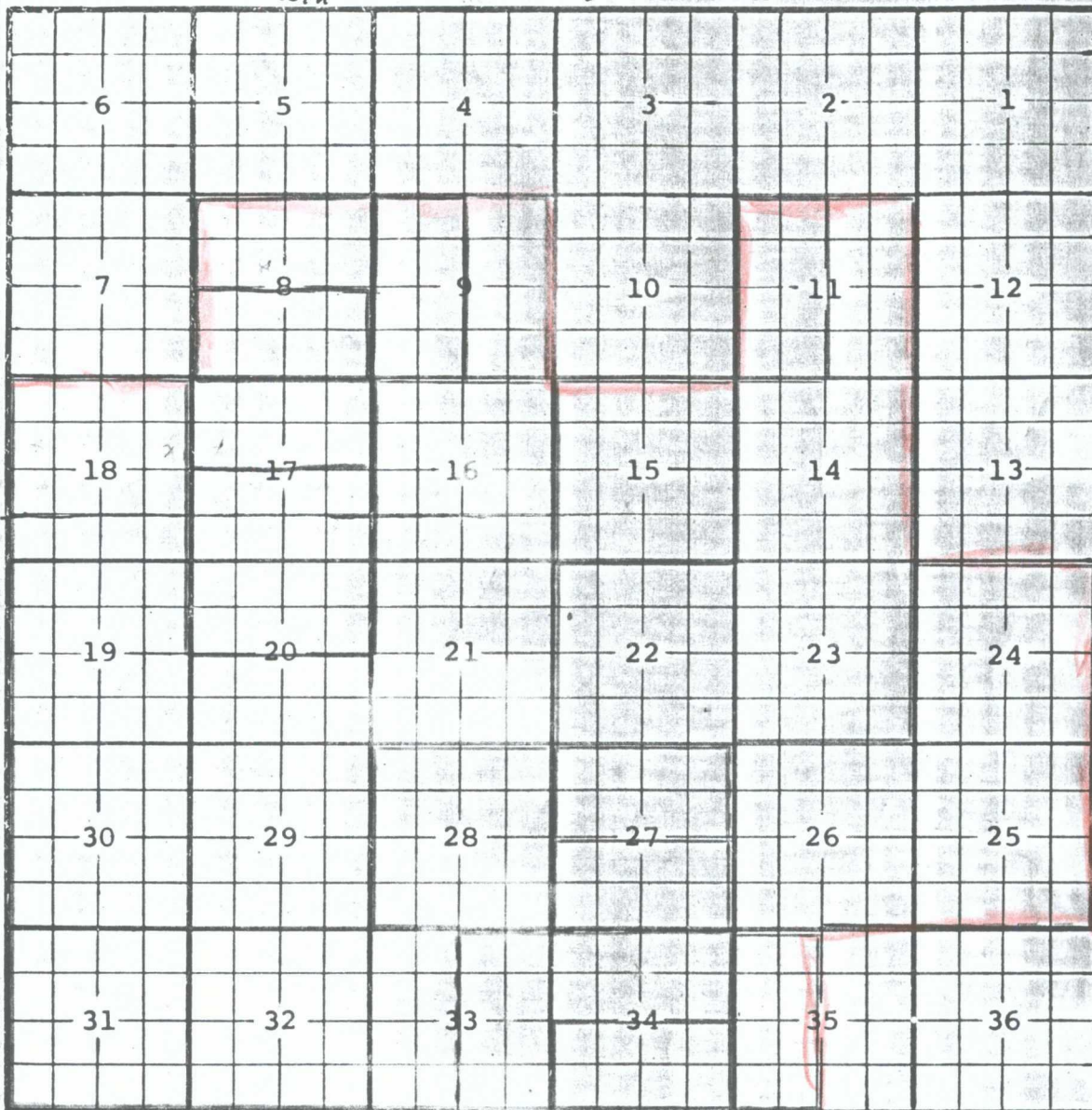
WILLIAM J. LEMAY  
Director

SEAL



COUNTY Eddy POOL Burton Flat - Morrow Gas

TOWNSHIP 20 South RANGE 28 East NMPM



Ext:  $\frac{1}{2}$  Sec 34 (R-4706, 1-18-74)

Ext:  $\frac{1}{2}$  Sec 33,  $\frac{1}{2}$  Sec 34 (R-4734, 3-1-74)

Ext:  $\frac{1}{2}$  Sec 27,  $\frac{1}{2}$  Sec 35 (R-4782, 6-1-74)

Ext:  $\frac{1}{2}$  Sec 27 (R-4821, 8-1-74)

Ext:  $\frac{1}{2}$  Sec 11, All Sec 14, 22 & 23 (R-4915, 12-1-74)

Ext: All Sec 15 & 28 (R-4969, 4-1-75) Ext:  $\frac{1}{2}$  Sec 11 (R-5063, 7-1-75)

Ext: All Sec 16, 18, 19, 21, 29, 30, 31 & 32,  $\frac{1}{2}$  Sec 20,  $\frac{1}{2}$  Sec 33 (R-5534, 10-1-77)

Ext:  $\frac{1}{2}$  Sec 17, (R-6499, 11-1-80) -  $\frac{1}{2}$  Sec 20 Ext:  $\frac{1}{2}$  sec 17 (R-6890, 1-2-82)

EXT:  $\frac{1}{2}$  sec 8 (R-7009, 6-19-82)

Ext: All Secs. 24 through 26 (R-7322, 8-1-83) EXT:  $\frac{1}{2}$  sec 9 (R-8969, 8-1-89)

Ext:  $\frac{1}{2}$  Sec, 8 (R-9545, 7-1-91)