

DATE IN 11/3/03	SUSPENSE 11/23/03	ENGINEER MS	LOGGED IN LR	TYPE NSL	APP NO. PLR0330751470
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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]

RECEIVED

NOV 3 2003

Oil Conservation Division

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

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ 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

[D] Other: Specify _____

[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] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce

Print or Type Name

Signature

Attorney for Applicant

Title

jamesbruc@aol.com

e-mail Address

Date

11/3/03

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

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

jamesbruc@aol.com

November 3, 2003

Hand Delivered

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

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

Well:	Shugart West 24 Fed. Well No. 6
Location:	2100 feet FNL & 2310 feet FWL
Well Unit:	N½ of Section 24, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico

The well was drilled in 2002 to an approximate depth of 8275 feet, to test the Bone Spring formation. The well was plugged and abandoned, and never produced (see Exhibit A). The well will be re-entered and deepened to test the Morrow formation (Undesignated North Shugart-Morrow Gas Pool), at an approximate depth of 12,300 feet. Well spacing is 320 acres, with wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line.

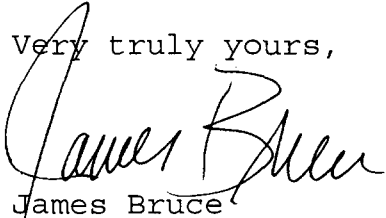
The location is based on economics and geology. Re-entering and deepening the well will be substantially less costly than drilling a new well. Because the well is a one mile step-out from existing Morrow production, reducing well costs helps justify the re-entry.

Attached as Exhibit B is an isopach of the net clean sand in the Lower Morrow Clastics, which is the primary zone of interest. The well is in the center of a theorized Lower Morrow channel, and thus the location is well suited to test this channel. In addition, the well is at an orthodox oil well location, so if the well is later completed uphole there will be no unorthodox oil well location.

A land plat is attached as Exhibit C. Working interest ownership in the S½ of Section 24 is different than in the N½, and notice has been given to those interest owners, as shown in Exhibit D.

Please contact me if you need any further information.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Chi Energy, Inc.

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB NO. 1004-0195

Expires November 30, 2000

5. Lease Serial No.

LC-028990-A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
Pending

8. Well Name and No.
Shugart West 24
Federal F #6

9. API Well No.
30-015-32139

10. Field and Pool, or Exploratory Area
Shugart

11. County or Parish, State
Eddy NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☐ Gas Well ☒ Other

Dry & Abandon

2. Name of Operator

KCS Medallion Resources, Inc.

3a. Address

7130 South Lewis, Ste. 700 Tulsa, OK 74136-5489

3b. Phone No. (include area code)

(918) 488-8283

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

2100' FNL & 2310' FNL

Sec 24-T18S-R30E

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☐ Notice of Intent
☐ Subsequent Report
☒ Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|--|--|---|
| ☐ Action | ☐ Deepen | ☐ Production (Start/Resume) | ☐ Water Shut-Off |
| ☐ Alter Casing | ☐ Fracture Treat | ☐ Redesign | ☐ Well Integrity |
| ☐ Casing Repair | ☐ New Construction | ☐ Recombine | ☐ Other |
| ☐ Change Plan | ☒ Plug and Abandon | ☐ Temporarily Abandon | |
| ☐ Convert to Injection | ☐ Plug Back | ☐ Water Disposal | |

13. Describe Proposed or Contemplated Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompletes horizontally, give subsection location and measured and true vertical depths of all pertinent markers and zones. Attach the Road under which the work will be performed or provide the Road No. on file with BLM/BIA. Required subsequent reports shall be filed within 90 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

2/03/02- Ran DST & bottom o/bottom pkr @ 8050'. Test 8050' to 8275'. IOF-15 min 3psi/1/4"choke. ISI-30min. FOF-60min - 10min-3psi on 1/4"choke, 20min-2sf on 1/4"choke, 40min-23oz on 1/4"choke, 60min-29oz on 1/4"choke. FSI=2hrs recovered 1 bbl fluid.

2/05/02- P&A - BLM witness - Kathy Queens. Plug #1-8181'-8031' - 45sk @14.8ppg. Plug #2-5811'-5661' - 75sk @ 14.8ppg. Plug #3 4776'-4636' - 50sk @14.8ppg.

2/06/02- Plug #4 4336'-4196' - 55sk @14.8ppg. Plug #5 2850'-2660' - 60sk @14.8ppg. Tag plug @ 2660'. Plug #6 830'-730' - 30 sk @ 14.8ppg. Plug #7 50'-4' - 20sk @ 14.8ppg. Nipple down BOPE. Cut off wellhead - weld plate and I.D. Release Rig.

EXHIBIT A

14. I hereby certify that the foregoing is true and correct.
(Name Printed/Typed)

Kaye Alley

Title

Production Technician

Date 02/10/02

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

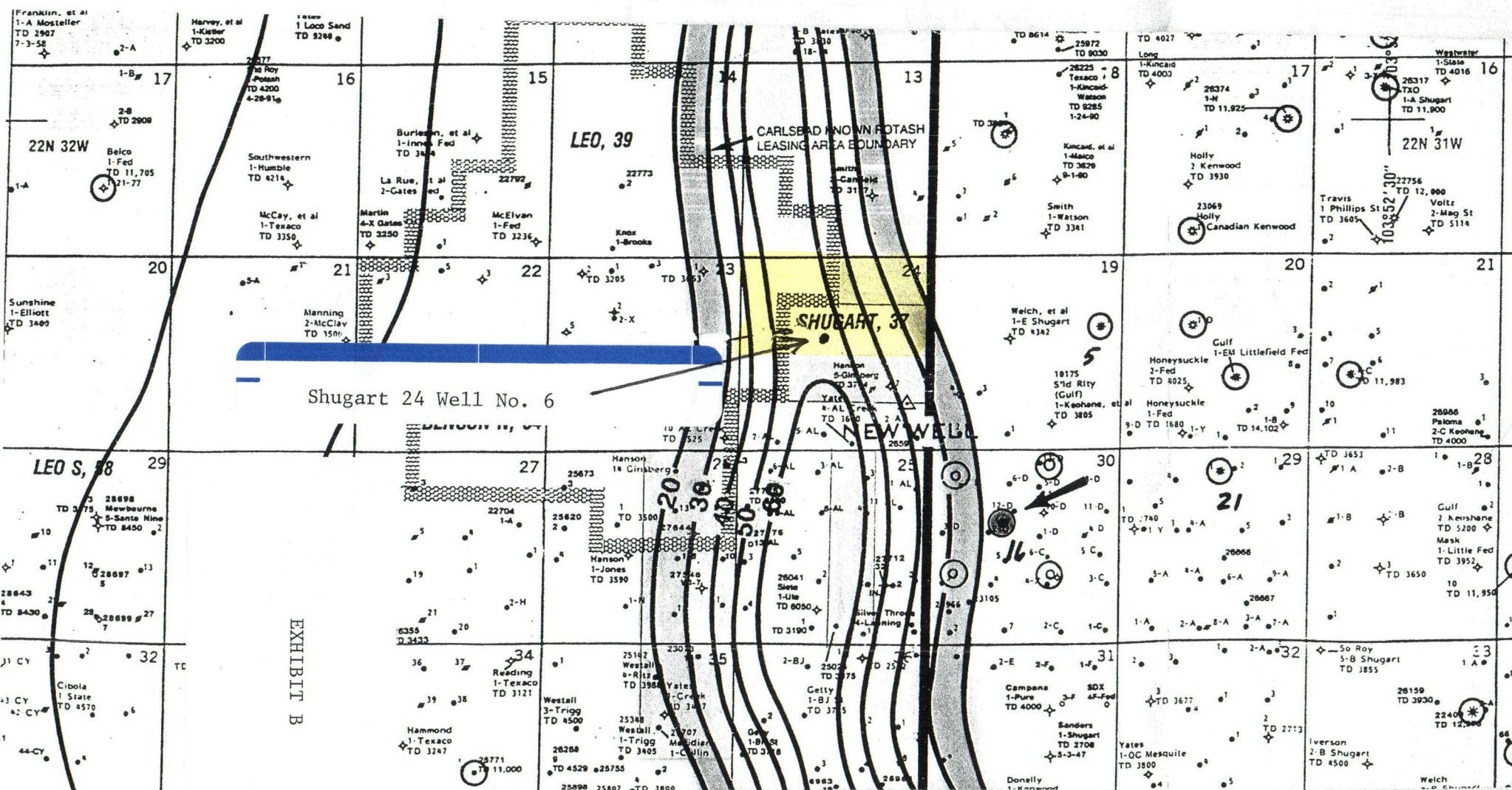
Title

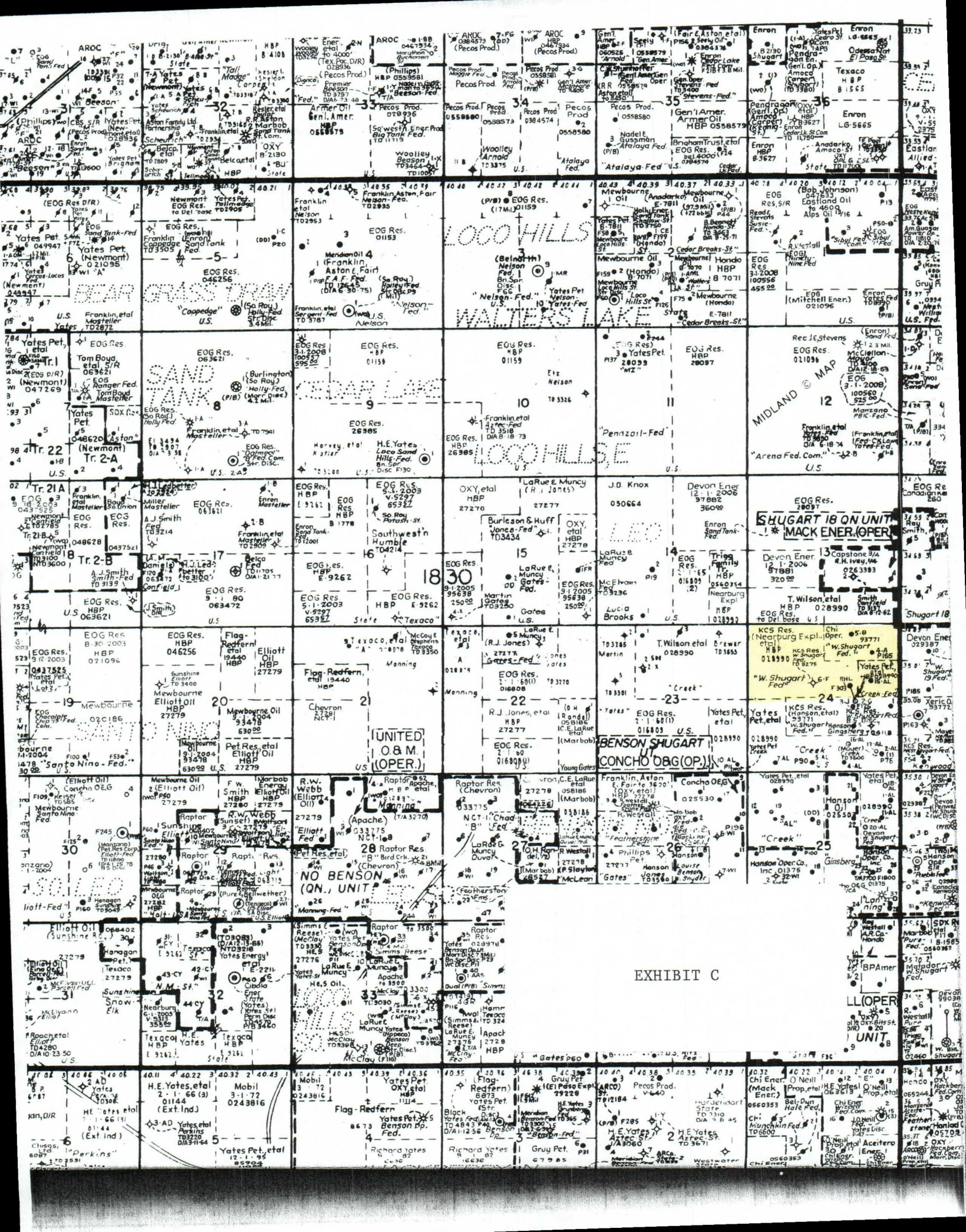
Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to these rights in the subject lease which would enable the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, 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.





JAMES BRUCE
ATTORNEY AT LAW

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November 3, 2003

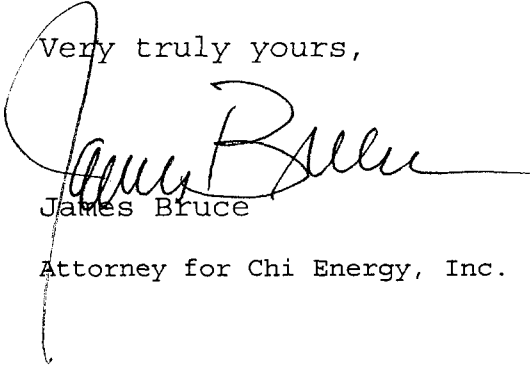
CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application, filed with the Oil Conservation Division by Chi Energy, Inc., requesting administrative approval of an unorthodox gas well location in the Morrow formation in the N½ of Section 24, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. You own an interest in the S½ of Section 24. If you object to the well's location, you must notify the Division in writing no later than Monday, November 24, 2003 (1220 South St. Francis Drive, Santa Fe, New Mexico 87505; attention: Michael E. Stogner). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.

EXHIBIT D

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

John A. Yates
105 South Fourth Street
Artesia, New Mexico 88210

John A. Yates, Trustee
U/W/O Peggy A. Yates
105 South Fourth Street
Artesia, New Mexico 88210

Estate of Lillie M. Yates
P.O. Box 840
Artesia, New Mexico 88211

Sacramento Partners Ltd. Partnership
105 South Fourth Street
Artesia, New Mexico 88210

McBride Oil & Gas Corporation
P.O. Box 1515
Roswell, New Mexico 88202

Hanson Operating Company
P.O. Box 1515
Roswell, New Mexico 88202

Cibola Energy Corporation
P.O. Box 1668
Albuquerque, New Mexico

Harvey E. Yates Company
P.O. Box 1933
Roswell, New Mexico 88202