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Form 3160-3
(February 2007)



S/K

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-15303	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Southwestern Energy Production Company		7. If Unit or CA Agreement, Name and No.	
3a. Address 2350 N. Sam Houston Parkway East, Suite 125 Houston, Texas 77032		8. Lease Name and Well No. Corral Fly Federal 1-H 34425	
3b. Phone No. (include area code) (281) 618-4887		9. API Well No. 30-015-35623	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 2520' FNL & 1650' FEL of Sect. 10, T25S R29E Eddy County New Mexico At proposed prod. zone 200' FNL & 1860' FEL of Sect. 10, T25S R29E Eddy County New Mexico		10. Field and Pool, or Exploratory Corral Canyon, Delaware, West	
14. Distance in miles and direction from nearest town or post office* CARLSBAD CONTROLLED WATER BASIN		11. Sec., T, R. M. or Blk. and Survey or Area Sec 10, T25S - R29E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		12. County or Parish Eddy	
16. No. of acres in lease 160		13. State NM	
17. Spacing Unit dedicated to this well 80		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	
19. Proposed Depth 7,423' MD / 5,300' TVD		20. BLM/BIA Bond No. on file ES-0051	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,038' GL		22. Approximate date work will start* 04/30/2007	
		23. Estimated duration 24 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature <i>Martha C. Howard</i>	Name (Printed/Typed) Martha Howard	Date 03/19/2007
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Title
Staff Regulatory Analyst

Approved by (Signature) <i>/s/ James Stovall</i>	Name (Printed/Typed) <i>/s/ James Stovall</i>	Date MAY 11 2007
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Title
FIELD MANAGER
Office
CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

*(Instructions on page 2)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

If earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

NSL-5611

INSTRUCTIONS

GENERAL: This form is designed for submitting proposals to perform certain well operations, as indicated on Federal and Indian lands and leases for action by appropriate Federal agencies, pursuant to applicable Federal laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from local Federal offices.

ITEM 1: If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations. Consult applicable Federal regulations concerning subsequent work proposals or reports on the well.

ITEM 4: Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local Federal offices for specific instructions.

ITEM 14: Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on the reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal agency offices.

ITEMS 15 AND 18: If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective productive zone.

ITEM 22: Consult applicable Federal regulations, or appropriate officials, concerning approval of the proposal before operations are started.

NOTICES

The Privacy Act of 1974 and regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 181 et seq., 25 U.S.C. 396; 43 CFR 3160

PRINCIPAL PURPOSES: The information will be used to: (1) process and evaluate your application for a permit to drill a new oil, gas, or service well or to reenter a plugged and abandoned well; and (2) document, for administrative use, information for the management, disposal and use of National Resource Lands and resources including (a) analyzing your proposal to discover and extract the Federal or Indian resources encountered; (b) reviewing procedures and equipment and the projected impact on the land involved; and (c) evaluating the effects of the proposed operation on the surface and subsurface water and other environmental impacts.

ROUTINE USE: Information from the record and/or the record will be transferred to appropriate Federal, State, and local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecution, in connection with congressional inquiries and for regulatory responsibilities.

EFFECT OF NOT PROVIDING INFORMATION: Filing of this application and disclosure of the information is mandatory only if you elect to initiate a drilling or reentry operation on an oil and gas lease.

The Paperwork Reduction Act of 1995 requires us to inform you that:

BLM collects this information to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases.

This information will be used to analyze and approve applications.

Response to this request is mandatory only if the operator elects to initiate drilling or reentry operations on an oil and gas lease.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0137), Bureau Information Collection Clearance Officer (WO-630), 1849 C Street, N.W., Mail Stop 401 LS, Washington, D.C. 20240.



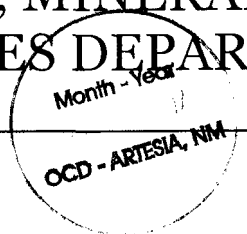
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary



Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 2, 2007

Southwestern Energy Company
2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032

Attention: Mr. J. Alan Grimsley

Re: **Corral Fly Federal Well No. 1-H**
API No. N/A
Surface Location: 2520' FNL & 1650' FEL, Unit G
Bottomhole Location: 200' FNL & 1860' FEL, Unit B
Section 10, T-25 South, R-29 East, NMPM,
Eddy County, New Mexico

Administrative Order NSL-5611

Dear Mr. Grimsley:

Reference is made to the following:

- (a) Southwestern Energy Company's ("Southwestern") application for a non-standard well location (*administrative application referenece No. pCLP0709428443*) for the Corral Fly Federal Well No. 1-H that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 2, 2007; and
- (b) the Division's records pertinent to your request.

Southwestern requests approval of an unorthodox well location for its proposed Corral Fly Federal Well No. 1-H in the **Undesignated West Corral Canyon-Delaware Pool** (Oil – 13365), which is to be drilled as a horizontal producing well from an unorthodox surface location 2520 feet from the North line and 1650 feet from the East line (Unit G) to an unorthodox bottomhole location 200 feet from the North line and 1860 feet from the East line (Unit B) of Section 10, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico. The well is to be dedicated to an 80-acre "Project Area" comprising the W/2 NE/4 of Section 10.

It is our understanding that the Corral Fly Federal Well No. 1-H will penetrate the pay zone within the Delaware formation at a location approximately 2045 feet from the North line and 1694 feet from the East line of Section 10, and that the well will then be drilled horizontally a distance of approximately 1494 feet to an unorthodox bottomhole location.

The West Corral Canyon-Delaware Pool is currently governed by Division Rule 19.15.3.104(B).

Division records show that the Corral Fly Federal Well No. 1-H will be the first well producing from the West Corral Canyon-Delaware Pool within the proposed project area.

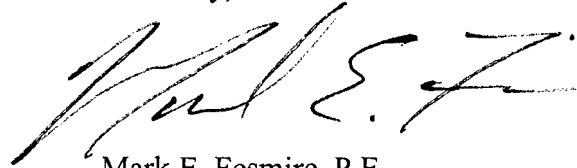
The proposed unorthodox surface and bottomhole locations are necessary in order to maximize the horizontal extent of the wellbore.

Southwestern stated in its application that no perforations within the well will be placed closer than 330 feet to the outer boundary of the project area.

Pursuant to Division Rule 19.15.3.104(F), the applicant has provided notice of this application to all affected offset operators and/or interest owners. No objection has been received by the Division within the 20-day waiting period prescribed by Division Rule 19.15.3.104(F)(4).

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox surface and bottomhole well location in the Undesignated West Corral Canyon-Delaware Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division - Artesia
Bureau of Land Management-Carlsbad



**Southwestern Energy
Company**

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4818

April 2, 2007

Richard Ezeanyim
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505



Dear Mr. Ezeanyim:

Pursuant to Division Rule 104.F.(2), Southwestern Energy Production Company is requesting approval for of an unorthodox oil well location for the following well:

Well: Corral Fly Federal No. 1-H
Location: 2,520' feet FNL & 1,650' feet FEL
Well Unit: SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 10, Township 25 South, Range 29 East, N.M.P.M., Eddy County, New Mexico

The well will be drilled to test the Cherry Canyon 4 formation (West Corral Canyon, Delaware Pool). The pool is spaced on 40 acres, with wells to be located no closer than 330 feet to a quarter-quarter section line and for the subject well an exception to this 330' requirement is requested. A form C-102 is attached as Exhibit A.

The proposed location is based on engineering reasons. The proposed well, Corral Fly Federal #1-H, will be directionally drilled from an unorthodox surface location 2,520 feet from the North Line and 1,650 feet from the East Line of Section 10 to a bottom hole location 200 feet from the North Line and 1,860 feet from the East line.

The well plan consists of drilling a vertical pilot hole to 5,600' MD and run wireline logs to confirm the Cherry Canyon 4 target zone. The well will be plugged back and prepared to the estimated KOP (kick off point) at 4,823' MD/TVD. The hole will be directional drilled utilizing a build rate of 12°/100' to penetrate the Cherry Canyon 4 Sand at 5,573' MD / 5,300' TVD at 90° of angle. The Cherry Canyon 4 will be intersected at 2,045' FNL and 1694' FEL of Section 10 T25S R29E. The well will continue laterally (90°) for $\pm 2328'$ of vertical displacement. The proposed BHL will be 200' FNL & 1860' FEL of section 10. The top of the Delaware will be intersected at 3145' MD/TVD at 2,520' FNL and 1,650' FEL of Section 10. A drilling prognosis, directional plot, and proposed survey report are attached as Exhibit B.

Production casing will be run and cemented to TD. The Cherry Canyon 4 Sand will be selectively perforated, with all perforations being placed in accordance of a standard location of Section 10 T25S R29E (greater than 330' from any lease line).

By placing the surface location at 2,520' FNL and 1,650' FEL of Section 10, the maximum amount of reservoir rock in the Cherry Canyon 4 Sand in the producing area can be penetrated and produced.

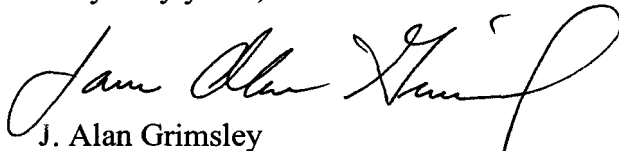
Attachment C is a list of all interest owners that will be affected with the unorthodox surface location as well as interest owners that will be affected by the Bottom hole location. Each interest owner has been provided a copy of this request via certified mail.

Furthermore, Southwestern Energy Production Company has gained 100% access to the mineral interests to the Cherry Canyon formation in the Delaware Mountain Group of Section 10 via farmout agreement with EOG (Lease Serial No. NM-15303). A land plat is attached as Exhibit D.

Your expedited approval of this unorthodox location is requested.

If you have any questions, I can be reached at 281-618-4068 or by email at alan_grimsley@swn.com.

Very truly yours,



J. Alan Grimsley
Southwestern Energy Production Co.

Attachments
CC: District 2

Attachment C
Corral Fly Federal #1-H
Offset Leasehold Notification List

Pogo Producing Company P.O. Box 2504 Houston, Texas 77252	Receipt # 7006 2150 0002 1398 0602
Bettis Brothers, Inc. 500 W. Wall, Suite 312 Midland, Texas 79701	Receipt # 7006 2150 0002 1398 0619
Sonic Oil & Gas, LP P.O. Box 1240 Graham, Texas 76450	Receipt # 7006 2150 0002 1398 0299
Norman D. Stovall, Jr. P.O. Box 10 Graham, Texas 76046	Receipt # 7006 2150 0002 1398 0305
H. M. Bettis, Inc. P.O. Box 1240 Graham, Texas 76046	Receipt # 7006 2150 0002 1398 0312
James R. Quinn 210 E. Abram, Suite 650 Arlington, Texas 76010	Receipt # 7006 2150 0002 1398 0329
The Allar Company P.O. Box 630 Graham, Texas 76046	Receipt # 7006 2150 0002 1398 0336
Eleven Sands Exploration, Inc. RR 8 Box 104 Guthrie, Texas 73044	Receipt # 7006 2150 0002 1398 0343
B.A.G.A.M., Ltd. P.O. Box 37 Graham, Texas 76046	Receipt # 7006 2150 0002 1398 0350
L. E. Opperman 1505 Neely Midland, Texas 79705	Receipt # 7006 3450 0000 6005 7209
XTO Energy, Inc. 810 Houston Street Fort Worth, Texas 76102	Receipt # 7006 3450 0000 6005 7216