



VIA FAX – 505-476-3462

MURCHISON OIL & GAS, INC.
MURCHISON PROPERTIES, INC.

December 4, 2003

Mr. Michael Stogner
Chief Hearing Examiner
State of New Mexico
Oil Conservation Division
1220 S. Saint Francis
Santa Fe, NM. 87505

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DEC 10 2003

OCD-ARTESIA

30-015-32548

RE: REQUEST FOR ADMINISTRATIVE APPROVAL OF A NON-STANDARD LOCATION

Dear Mr. Stogner:

The Nash Unit #53 is located in the Nash Unit which is a Federal and State approved unit consisting of 8 sections. A map of the unit is attached. The Nash Unit #53 was drilled directionally from a drilling pad to avoid active potash mines, playa lakes, and archeological sites. The down hole location was proposed to be 1980' FNL & 660' FEL of Sec. 12 (Form C-102 is attached). The actual bottom hole location of the well based on directional surveys is 2056' FNL & 692' FEL. The well is perforated from 13,690' to 13,977' (measured depth). The bottom hole location of the top perforation is 2100' FNL & 812' FEL and the bottom perforation is 2073' FNL & 736' FEL.

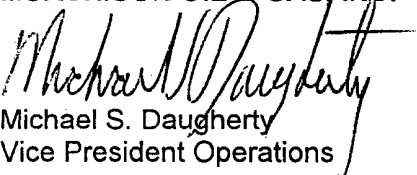
The well missed the proposed bottom hole location by approximately 82' and it is not within the spacing requirement of NMOCD Rule 104. The well is producing 600 MCFD and 34 BBL of water per day. It appears that the water production is declining, but slowly and we are concerned that shutting-in the well may cause irreparable damage. We are seeking administrative approval of a non-standard location for this well.

We believe the following circumstances offer support for our request. The bottom hole location of the well and perforations are over a mile from the nearest unit boundary. The bottom hole location of this well is within the tolerance of a bottom hole location of a straight hole drilled at a surface location of 1980' FNL & 660' FEL under normal operations.

This well required a complicated drilling procedure and the deviation in bottom hole and perforation location was unintentional on our part. If you need more data or wish to meet with me to discuss any technical issues, please let us know as soon as possible.

Very truly yours,

MURCHISON OIL & GAS, INC.


Michael S. Daugherty
Vice President Operations

MSD/ct/NashUnit#53-Non-StndLoc

Encl.

cc: Mr. Bryan Arrant – Artesia
Mr. Tim Gum - Artesia



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

December 2, 2003

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DEC 10 2003

OCD-ARTESIA

**Murchison Oil & Gas, Inc.
1100 Mira Vista Blvd.
Plano, TX 75093-4698
Attn: Mr. Michael S. Daugherty**

**RE: Murchison Oil & Gas, Inc.'s gas well completion of the
Nash Unit # 53, located in Section 12 of Township 23 South,
Range 29 East, Eddy County, New Mexico.
Bottom Hole Location: 2056' FNL & 692' FEL
API # 30-015-32548**

Dear Mr. Daugherty,

In reference to the above directionally well, the top and bottom producing intervals of the Morrow formation as well as the bottom hole location is non-standard according to New Mexico Oil Conservation Division's Rule 104 for deep gas wells in southeast New Mexico. I cannot find a non-standard location approval for this well allowing for Morrow gas production. Until such an approval is issued, this well will need to be shut-in. Please refer to NMOCD's Rule 104 C. (2) for further clarification or please give me a call to discuss this matter further.

Yours truly,

Bryan G. Arrant
PES

**Cc: Michael Stogner, Chief Hearing Examiner-Santa Fe
Tim Gum, District Supervisor-Artesia**

OPERATOR'S COPY

Form 3160-3
(September 2001)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

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DEC 10 2003

APPLICATION FOR PERMIT TO DRILL OR REENTER **CD-ARTESIA**

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

5. Lease Serial No. **NM 14140 BHL**

NM 0556859-A **SHL**

6. If Indian, Allottee or Tribe Name

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator

MURCHISON OIL & GAS, INC..

3a. Address

1100 MIRAVISTABLVD., PLANO, TX. 75093-4698

3b. Phone No. (include area code)

(972) 931-0700

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 1663' FSL & 2185' FWL

At proposed prod. zone 1980' FNL & 660' FEL UNIT H

R-111-P Potash

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

NASH UNIT

8. Lease Name and Well No.

NASH UNIT #53

9. API Well No.

10. Field and Pool, or Exploratory

NASH DRAW

11. Sec., T., R., M., or Blk. and Survey or Area

SEC. 12, T23S, R29E

12. County or Parish

EDDY

13. State

NM.

14. Distance in miles and direction from nearest town or post office*

17 MILES SOUTHEAST OF CARLSBAD

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

660' BHL

16. No. of Acres in lease

320

17. Spacing Unit dedicated to this well

320 N/2

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

2965' BHL

19. Proposed Depth

14000 TVD

20. BLM/BIA Bond No. on file

ROTARY

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

2986' GL

22. Approximate date work will start*

9/1/02

23. Estimated duration

70 DAYS

24. Attachments

Carlsbad Controlled Water Basin

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

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

Michael S. Daugherty

Name (Printed/Typed)

MICHAEL S. DAUGHERTY

Date

6/21/02

Title

VICE PRESIDENT OPERATIONS

Approved by (Signature)

Name (Printed/Typed)

Richard A. Whitley
Richard A. Whitley

Date

7/29/02

Title

Office

NM STATE 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 1 YEAR

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 reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED.

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 80211-0710

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

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DEC 10 2002

OCD-ARTESIA ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name NASH UNIT	Well Number 53
OGRID No. 015363	Operator Name MURCHISON OIL & GAS INC.	Elevation 2986'

Surface Location

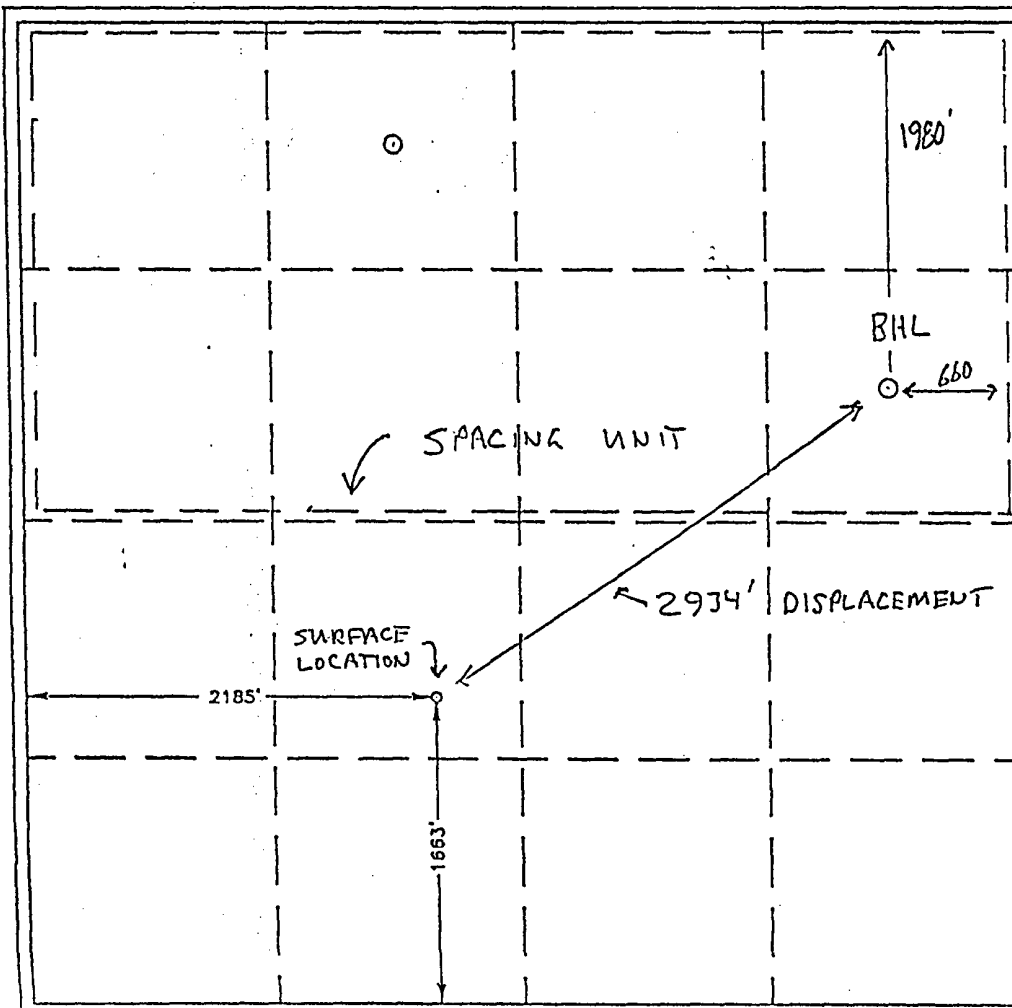
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	23-S	29-E		1663'	SOUTH	2185'	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	12	23-S	29-E		1980'	NORTH	660'	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information
contained herein is true and complete to the
best of my knowledge and belief.

Michael S. Daugherty
Signature

MICHAEL S. DAUGHERTY

Printed Name

VICE PRESIDENT OPERATIONS

Title

Date

6/21/02

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 belief.

MAY 28, 2002

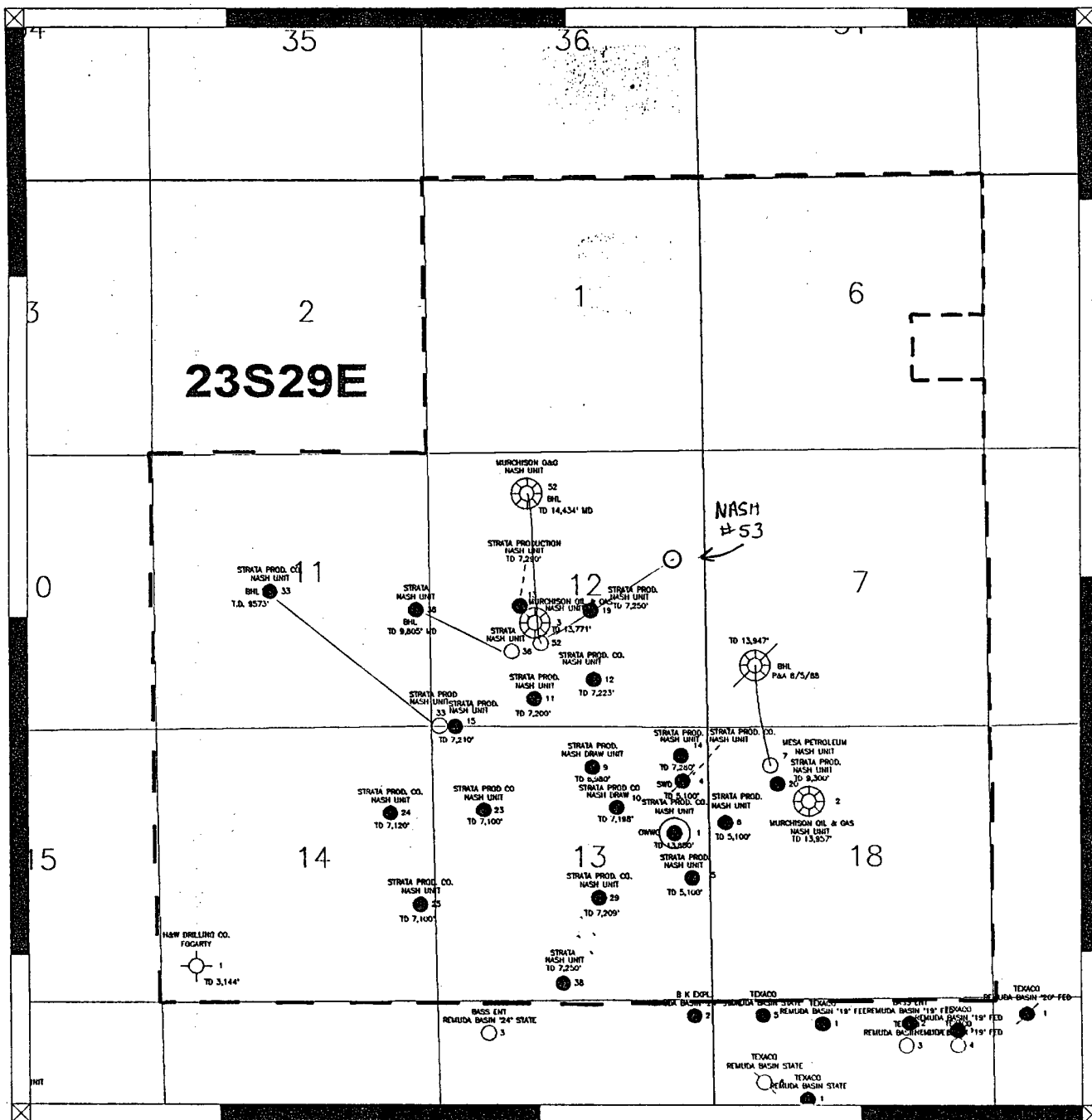
Date Surveyed LA

Signature *Ronald S. Edson*
Professional Surveyor

NEW MEXICO
02.11.0394

Certificate No. RONALD S. EDSON 3230
GARY EDSON 12841

600000.



NASH UNIT OUTLINE

PARTICIPATING AREA

Scale 1:36000.

1000. 0. 1000. 2000. 3000. 4000. 5000. feet

0.1 0. 0.1 0.2 0.3 0.4 0.5 miles

MURCHISON OIL & GAS, INC.

NASH UNIT
EDDY CO., NM
UNIT OUTLINE

DIANA HUNTINGTON

3/18/2003

Scale 1:36000