



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

CC

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

April 30, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Chi Energy, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87501

Re: *Administrative application filed with the Division on April 29, 2003 on behalf of Chi Energy, Inc. (administrative application reference No. pKRV0-311952296) for an exception to Division Rule 104.C (2) (a) for its proposed Stephens "A" Com. Well No. 2 to be drilled as an infill Morrow gas well at an unorthodox location 500 feet from the South line and 1065 feet from the East line (Unit P) of Section 7, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Bruce:

The subject application cannot be authorized administratively and is hereby **denied** and being returned to you at this time. It is the Division's long-standing policy not to allow more than one operator within a single producing spacing unit. When the Division amended Division Rule 104 in 1999 to allow infill drilling of deep gas in southeast New Mexico, this was set forth in a rule, please refer to Division Rule 104.C (2) (c). The Division's records show that the existing 317.68-acre standard lay-down gas spacing unit in the South Carlsbad-Morrow Gas Pool comprising the S/2 equivalent of Section 7 and its dedicated well, the Stephens "A" Com. Well No. 1 (API No. 30-015-20716), located at a standard gas well location 810 feet from the south line and 1980 feet from the West line (Unit N) of Section 7, are currently operated by Merit Energy Company of Dallas, Texas.

Should you wish to pursue this matter it will be necessary to docket a hearing.

Sincerely

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
Kathy Valdes, NMOCD – Santa Fe

DATE IN 4/29/03	SUSPENSE 5/19/03	ENGINEER DRC	LOGGED IN KW	TYPE NSL	OFF NO. PKRV0311952296
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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



RECEIVED

APR 29 2003

Oil Conservation Division

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]

[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

4/29/03

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

April 29, 2003

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APR 29 2003

Oil Conservation Division

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:	Stephens A Com. Well No. 2
Location:	500 feet FSL & 1065 feet FEL
Well Unit:	Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$ (S $\frac{1}{2}$) of Section 7, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico

A Form C-102 for the well is attached as Exhibit A. The well will be drilled to test the Morrow formation (South Carlsbad-Morrow Gas Pool). 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 S $\frac{1}{2}$ unit will be simultaneously dedicated to the proposed well and to the existing Stephens A Com. Well No. 1, located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 7 (810 feet FSL & 1980 feet FWL), forming a standard 317.68 acre well unit.

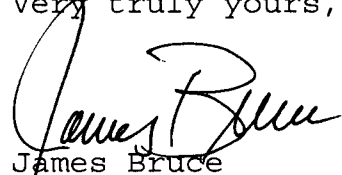
The location is based on topographic and geologic reasons. Applicant planned to drill the well 660 feet from the south line of Section 7. However, attached as Exhibit B is an aerial photo which shows that the SE $\frac{1}{4}$ of Section 7 is a residential area, which severely limits well locations. The proposed location is the least unorthodox location available in the SE $\frac{1}{4}$.

Attached as Exhibit C is an isopach of the Middle Morrow D Sand, which is the primary Morrow zone. Moving the well slightly south, rather than north, keeps the well in the thicker part of the sand. Due to the existing No. 1 well in the SW¼ of Section 7, it cannot be moved to that quarter section.

A land plat is attached as Exhibit D. The N½ of Section 18 is operated by Mewbourne Oil Company, and Section 17 is operated by Marbob Energy Corporation. Both offset operators have waived objection, as shown in Exhibit E.

Please contact me if you need any further information.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for Chi Energy, Inc.

District I
1625 N. French Dr. Hobbs, NM 88240

District II
611 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, N M 87505

Form C-102

Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies

For Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name STEVENS A COM	Well Number 2
OGRID No.	Operation Name CHI OPERATING, INC.	Elevation 3210

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
P	7	2S-S	27-E		500	SOUTH	1065	EAST	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
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

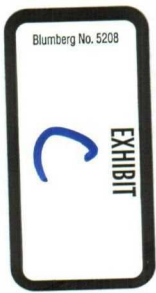
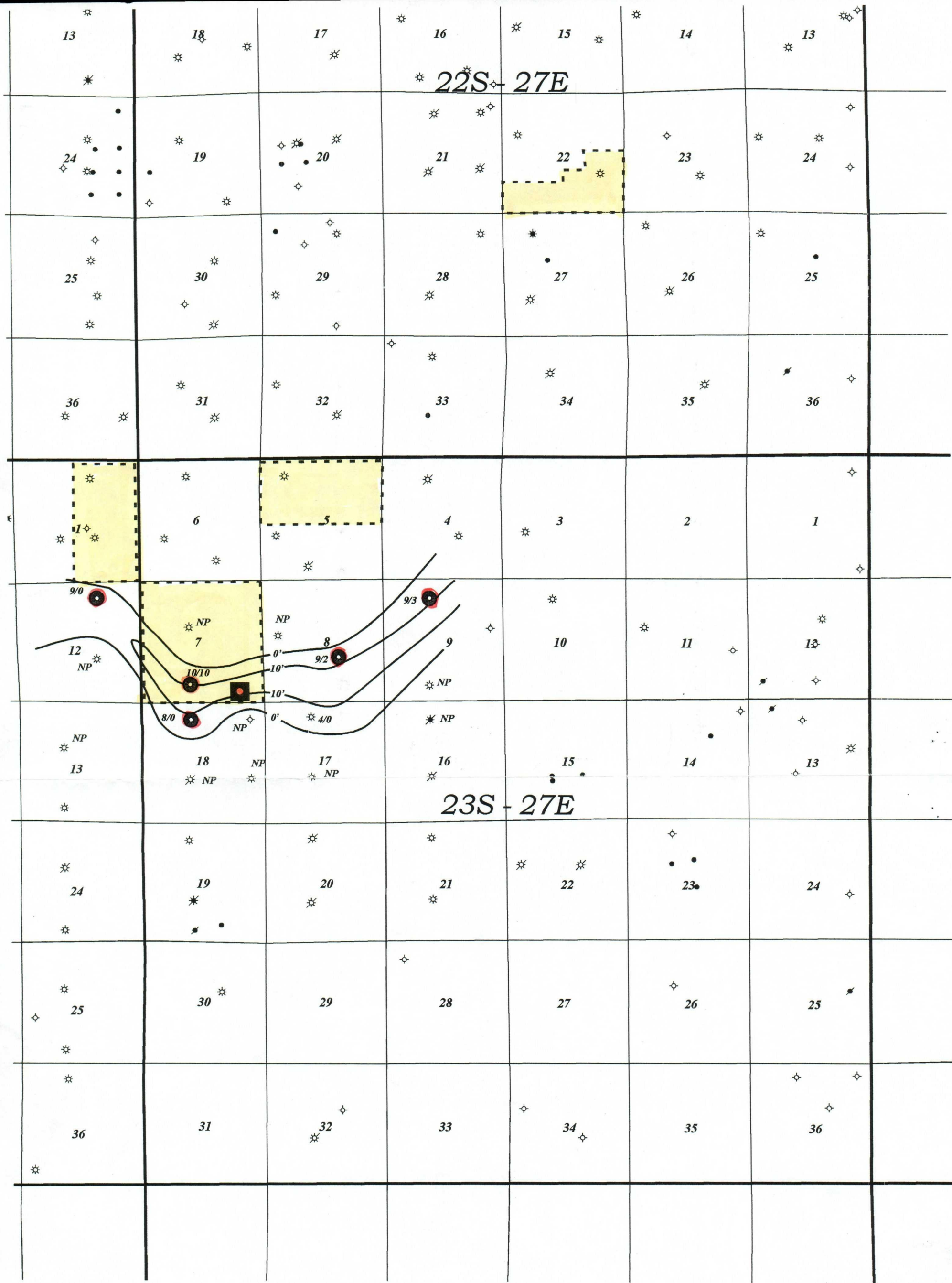
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.
	Signature Printed Name JOHN W. WOLF Title Engineer
	Date 4/18/03
	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. APRIL 8, 2003 Date of Survey Signature and Seal of Professional Surveyor

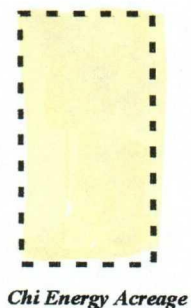


Stephens A # 2

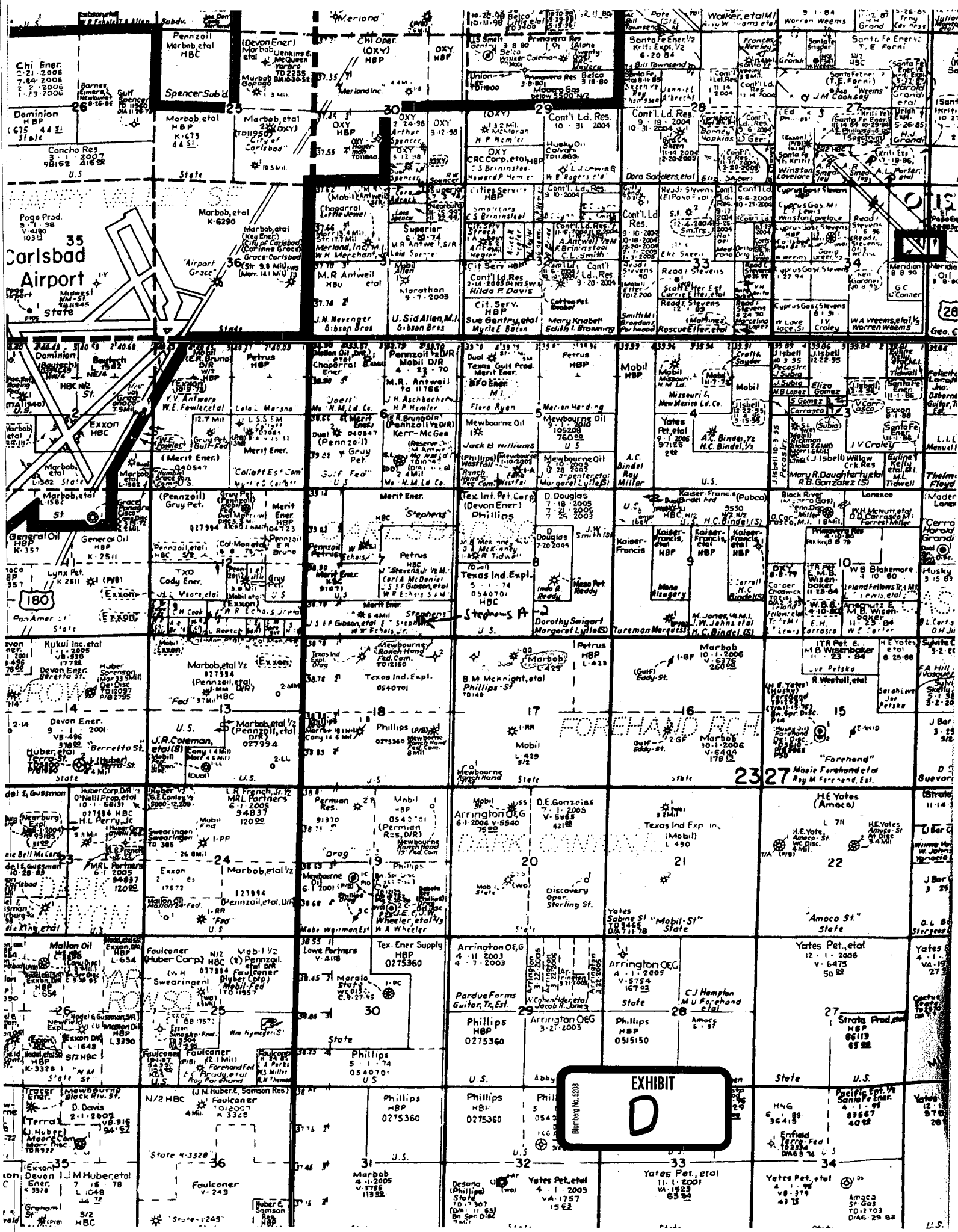




Proposed Location
Morrow Producer



Chi Energy, Inc.
South Carlsbad Area
 Isopach - Gross Sand
 Middle Morrow "D" Sand
 CI: 10'
 Date: 3 - 2003
 Scale: 1" = 4000'
 Geol: Gene Davis



CHI ENERGY, INC.

P.O. BOX 1799

MIDLAND, TEXAS 79702

March 27, 2003

Steve Cobb
Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

**Re: Unorthodox Location
Stephens A-2
1065' FEL & 500' FSL
Section 7-T-23S-R-27E
S/2 Proration Unit
Eddy County, New Mexico**

Mr. Cobb:

Chi Operating, Inc. proposes to drill the Stephens A-2 at the above referenced unorthodox location. Our choice of location is due to surface occupancy and buildings and homes in the area. Mewbourne Oil Company is the Lessee of Record in the W/2 of Section 8-T-23S-R-27E and the N/2 of Section 18-T-23S-R-27E which is contiguous to our lease in the S/2 of Section 7-T-23S-R-27E. Therefor, Chi Operating Inc. respectfully requests that Mewbourne Oil Company waive any objection to the Drilling, Testing, Completing and Producing of the Stephens A-2 located at 1065' FEL & 500' FSL of Section 7-T-23S-R-27E, Eddy County, New Mexico.

Please indicate your desire to not object to the above Unorthodox Location by signing in the space provided below and returning to me at the above address. Mewbourne will have access to all engineering and geological data obtained from the drilling and testing of the Stephens A-2 well.

Thanks and please call and talk to myself or Bill Bergman should you have any questions.

Sincerely,


John W. Qualls

JWQ/fh

Mewbourne Oil Company

By: Name: Larry CunninghamTitle: Exploration Manager

CHI ENERGY, INC.P.O. BOX 1799
MIDLAND, TEXAS 79702

March 27, 2003

MAR 31 2003

Raye Miller
Marbob Energy Corporation
Box 227
Artesia, New Mexico 88211

**Re: Unorthodox Location
Stephens A-2
1065' FEL & 500' FSL
Section 7-T-23S-R-27E
S/2 Proration Unit
Eddy County, New Mexico**

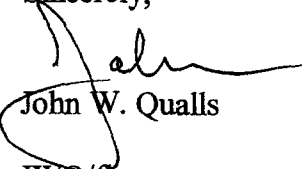
Mr. Miller:

Chi Operating, Inc. proposes to drill the Stephens A-2 at the above referenced unorthodox location. Our choice of location is due to surface occupancy and buildings and homes in the area. Marbob Energy Corporation is the Lessee of Record in Section 17-T-23S-R-27E which is contiguous to our lease in the S/2 of Section 7-T-23S-R-27E. Therefor, Chi Operating Inc. respectfully requests that Marbob Energy Corporation waive any objection to the Drilling, Testing, Completing and Producing of the Stephens A-2 located at 1065' FEL & 500' FSL of Section 7-T-23S-R-27E, Eddy County, New Mexico.

Please indicate your desire to not object to the above Unorthodox Location by signing in the space provided below and returning to me at the above address. Marbob will have access to all engineering and geological data obtained from the drilling and testing of the Stephens A-2 well.

Thanks and please call and talk to myself or Bill Bergman should you have any questions.

Sincerely,


John W. Qualls

JWQ/th

Marbob Energy Corporation

By: Raye Miller

Name: Raye Miller

Title: Attorney-in-Fact