

October 1, 1997

Michael E. Stogner Chief Hearing Examiner/Engineer New Mexico Energy, Minerals & Natural Resources Dept. Oil Conservation Division 2040 San Pacheco Drive Santa Fe, New Mexico 87505

RE: Re-Entry
Shell Oil Co.
Henshaw Deep Unit #9
Unit C
660' FNL & 1980' FWL
Sec.23,T16S,R30E
Eddy Co., NM

Dear Mr. Stogner:

Beach Exploration, Inc. plans to re-enter the Henshaw Deep Unit #9 and deepen to 11,800' as a Devonian and Atoka/Morrow test.

If a Devonian oil completion is made, the re-entry location would be a standard location. Beach Exploration, Inc. respectfully requests administrative approval for an unorthodox location, for the Atoka/Morrow reservoir, on the above referenced well due to the following reasons:

- 1) Economics considerations Re-entry and deepening of existing P & A wellbore from 9,474' to 11,800' is estimated to be at least 1/3 less expensive than drilling of a new well at a standard location.
- 2) The Atoka reservoir produces in section 14 in the Parker and Parsley Henshaw Federal #1 well. This well has been producing since 1987 and is at a non-standard location, 330' FSL & 1750' FWL, Sec.14, T16S, R30E. Our proposed re-entry location is approximately 1,050' from this producer and would be in the same reservoir, if Beach makes an Atoka completion. Since the Parker and Parsley well has accumulated over 70,000 BO and .75 BCFG, the Atoka reservoir has suffered some depletion, which would also negatively effect the economics of drilling a new well.

Page 2 - Re-enter of Henshaw Deep Unit

- Geologically, the Atoka sand is generally a narrow channel sand or sand bar deposit. Drilling at a standard location from the lease line would more than likely, be completed out of the channel, which increases the risk substantially.
- Finally, since the Parker and Parsley well is at a nonstandard location, 330 ft. from the lease line, we would like to protect and drain the reserves on our acreage.

A copy of the BLM file is attached of the Shell Henshaw Deep Unit #9 along with a surface map. If you should need any further information, please contact us. Thank you for your consideration concerning this matter.

Respectfully submitted

Charles "Sandy" Beach

Geologist

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NEW MEXICO OIL CONSERVATION COMMISSION WELL LOCATION AND ACREAGE DEDICATION PLAT

FORM C-128 Revised 5/1/57

SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

PROBATION OFFICE	3AS		7FF 147 1	KUCTIONS	FUR CU	WLCEILL	0 11113	FORM ON		.KJL 31	<i>D</i> L
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ARTESIA OFFICE COPY Budget Bureau No. 42-R-356.8. Approval expires 12-31-66. Copy to: Rosmeti Form 9-830 MMOCU(2) NEW MEXICO R-30-E U. S. LAND OFFICE ... SERIAL NUMBER IC-0294254 LEASE OR PERMIT TO PROSPECT UNITED STATES T Section 23 DEPARTMENT OF THE INTERIOR 16 GEOLOGICAL SURVEY 8 LOG OF OIL OR GAS WEL LOCATE WELL CORRECTLY Company Shell Oil Company Address P. O. Box 1858, Roswell, New Mexico Lessor or Tract Henshaw Deep Unit Field Henshaw-Wolfcamp State New Mexico Well No. 9 Sec. 23 T. 168 R. 30E Meridian NAPM County Eddy Location 660 ft. S. of H. Line and 1980t. E. of W. Line of Section 23 Elevation 3836 The information given herewith is a complete and correct record of the well and all work done thereon so far as can be determined from all available records. Original Signed By Signed R. A. Lowery R. A. LOWERF

Title District Exploitation Engineer Date November 13, 1963 The summary on this page is for the condition of the well at above date.

Commenced drilling September 16 , 19 63 Finished drilling October 30 , 19 63

OIL OR GAS SANDS OR ZONES

(Denote gas by G)

No. 4, from _____ to ____ No. 1, from _____ to ____ No. 5, from _____ to ____ No. 2, from _____ to ____ No. 3, from to No. 6, from _____ to ____

IMPORTANT WATER SANDS

No. 3, from _____ to ____ No. 1, from _____ to ____ No. 4, from _____ to ____ No. 2. from _____ to ____

CASING RECORD

Sise casing Weight per foot Threads per inch Kind of shoe Make Amount Cut and pulled from Purpose From-5201 32,75# 8lip Jt. Surface 10 3/4 Armeo of shors. If plugs or bridges were pabine je sper gater, state kind of material used, position, and results of pumping or bailing. It is of the greatest importance to have a complete history of the well. Please state in detail the dates of redriking, together 1 the reseans for the work and its results. If there were any changes made in the easing state fully and if any paging was the reseans for the work and its results. If there were any changes made in the easing state fully and if any paging was the reseans of the work and its results. If there were any changes made in the easing state fully and if any paging was reasonable to the work and its results. HISTORY OF OIL OR GAS WELL

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			SHOO	TING R	ECORD				
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ARTESIA OFFICE COPY

Porm 9-381 a (Feb. 1951)

APP 963 CONTROL OF THE PORT
(SUBMIT IN TRIPLICATE)

UNITED STATES DEPARTMENT OF THE INTERIOR GEOLOGICAL SURVEY

Budget Bureau No. 42-R358.4. Form Approved.

Land Office	New	Mexico
	T.C	oo), o),

Lease No. LC=U29424 C Unit

SUNDRY	NOTICES	AND	REPORTS	ON	WELLS

NOTICE OF INTENTION TO DRILL	X	SUBSEQUENT REPORT OF WATER SHUT-OFF
NOTICE OF INTENTION TO CHANGE PLANS		SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING.
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT.
NOTICE OF INTENTION TO PULL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL.		

Henshaw-Deep Unit	6 3/4 - 500 - 25	K NATURE OF REP	ORT, NOTICE, OR OTHER DATA)	
wink	7 57 - 45 00 - 35		September 13	. 19 63
Henshaw-Deep Unit	41/2 - 9500 - 500	9		,
Well No9 is locate	ed 660 ft. from	m_{-} $\begin{cases} N \\ SCK \end{cases}$ line a	nd 1980 ft. from $\left\{m{E}m{W}\right\}$	line of sec. 23
NE/4 NW/4 Sec. 23	168	30E	NMPM	
(34 Sec. and Sec. No.)	(Twp.)	(Range)	(Meridian)	
Henshaw-Wolfcamp / 先人)	Eddy	County	New N	l exico
(Field)	(County	or Bubdivision)	(State or	Territory)

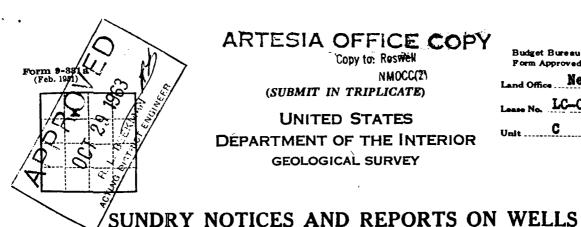
The elevation of the derrick floor above sea level is 3840 ft. estimated

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, comenting points, and all other important proposed work)

We propose to drill Henshaw Deep Unit # 9 as a 9500-foot Wolfcamp test w/Rotary Tools as follows:

57 o or Briddle 6 3/4" hole to 9500", cement 9	#, 10 3/4" casing w/250 sx. Circulate cement. 4#, 7 5/8" casing w/350 sx. Circulate cement. 5# & 11.6#, 4 1/2" casing w/350 sx.
D. OF U. ATTACHED TOWN HOVERAGE. THE ST. BIT OF THE THE ST. ST. ATTACHED THE ST. CONTROL OF THE THE ST. T. MATTACHED THE ST. T	SEP 1 7 1963 SEP 1 7 1963 SEP 1 6 1963 SHUUK SHUUK SEP 1 6 1963 SURVEY Original Signed By R. A. LOWERY
I understand that this plan of work must receive approval in v	writing by the Coolegical Survey before operations may be commenced.
Address P. Q. Box 1858 Roswell, New Mexico 88201	Original Signed By R. A. LOWERY
***************************************	Title District ExploitationEngineer



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Copy to: Reswell

NMOCC(2)

(SUBMIT IN TRIPLICATE)

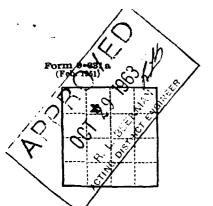
UNITED STATES DÉPARTMENT OF THE INTERIOR GEOLOGICAL SURVEY

Budget	Bureau	No.	42-R	358.4
Form A	pproved			

Land Office New Mexic

Lass No. LC-029424

V	
NOTICE OF INTENTION TO DRILL	UBSEQUENT REPORT OF WATER SHUT-OFF.
NOTICE OF INTENTION TO CHANGE PLANS	UBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF	UBSEQUENT REPORT OF ALTERING CASING
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL	UBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE	UBSEQUENT REPORT OF ABANDONMENT
NOTICE OF INTENTION TO PULL OR ALTER CASING	UPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL.	
(INDICATE ABOVE BY CHECK MARK NATURI	e of REPORT, NOTICE, OR OTHER DATA)
	0.4.5
•	October 15, 1963
Henshaw Deep Unit	વ્યવિ
Vell No. 9 is located 660 ft. from S	K (**)
NE/4 NW/4 Sec. 23 16 S 3 (Twp.) (Range)	O.E. (Merdian)
Henshaw-Wolfcamp Eddy (County or Subdit	New Mexico
523' with 275 sacks regular plus 4% gel down @ 2:45 p.m. (MST), September 24, 1 September 24, 1963. After WOC 216 hours no drop in pressure.	hts, and lengths of proposed casings; indicate mudding jobs, coment- portant proposed work) 6, 1963. Armco spiral weld) casing and cemented 6 and 2% CaCl ₂ . Circulated cement. Plug 963. Released cable tools @ 8:45 p.m. (MST s, tested casing with 1200 psi for 30 minut
I understand that this plan of work work receive approval in writing	OCT 29 1963 OCT 25 1963 OCT 2
Company Shell Oil Company	<u>L</u> .;
Address Box 1858 Roswell, New Mexico	Original Signed By W. E. Bingman
·	Title Division Mechanical Engineer



E COPY Budget Bureau No. 42-R358.4.

NMOCC(25

Land Office New Mexico

Louis No. LC-029424

UNITED STATES DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

(SUBMIT IN TRIPLICATE)

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	SUBSEQUENT REPORT OF WATER SHUT-OFF.
NOTICE OF INTENTION TO CHANGE PLANS	SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
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NOTICE OF INTENTION TO SHOOT OR ACIDIZE	SUBSEQUENT REPORT OF ABANDONMENT.
NOTICE OF INTENTION TO PULL OR ALTER CASING	SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL	

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

			October 10, 1963 , 19	
Henshaw Deep Unit Well No. 9 is locat	ed <u>660</u> ft. fr	rom. \{\big \} line and	d1980 ft. from \(\begin{pmatrix} \frac{\text{V}}{\text{W}} \end{pmatrix} \] line of sec23	
NE/4 NW/4 Sec. 23	16 S	30 E	MMPM	
(34 Sec. and Sec. No.)	(Twp.)	(Range)	(Meridian)	
Henshaw-Wolfcamp	Eddy	·	New Mexico	
(Field)	(Con	nty or Subdivision)	(State or Territory)	

The elevation of the derrick floor above sea level is 3836. ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights; and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Ran 4498' of 7-5/8" (26.4#, J-55) casing and cemented @ 4511' with 900 sacks Incor plus 8% gel and 200 sacks Portland plus 4% gel. Bumped plug with 2000 psi @ 4:50 a.m. (MST), October 10, 1963. Circulated 25 sacks. After WOC 24 hours, tested with 1400 psi for 30 minutes - no pressure drop.



I understand that this plan of work must receive approval in writing by the Geological Survey before operations may Company Shell Oil Company

Address	Box 1858
	Roswell, New Mexico

By W. E. Bingman Original Signed By W. E. Bingman

Title Division Mechanical Engineer

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Form 9-831 a (Feb. 1961)

(SUBMIT IN TRIPLICATE)

UNITED STATES DEPARTMENT OF THE INTERIOR GEOLOGICAL SURVEY

Budget	Bureau No.	42-R358.4
Form A	pproved.	

Land Office .	New Mexico
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	SUNDRY	NOTICES	AND	REPORTS	ON	WELLS
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NOTICE OF INTENTION TO DRILL	H	
NOTICE OF INTENTION TO CHANGE PLANS.	 SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF	SUBSEQUENT REPORT OF ALTERING CASING.	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL.	SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		
NOTICE OF INTENTION TO PULL OR ALTER CASING.	SUPPLEMENTARY WELL HISTORY	
NOTICE OF INTENTION TO ABANDON WELL	 	
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(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

			November 4,	1963	, 19
Henshaw Deep Unit Well No. 9 is located	660 ft. from	N line and	1980 ft. from	W line of sec.	23
NE/4 NW/4 Sec. 23 0(Sec. and Sec. No.)	16 8	30 E	NMPM		
		Range)	(Meridian)	••	
Henshaw-Wolfcamp (Field)	Eddy (County or	Subdivision)		Maxico ate or Territory)	

The elevation of the derrick floor above sea level is 3836 ft.

DETAILS OF WORK

State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Spotted cement plugs as follows: 75 axs @ 9150! - 8800!

25 sxs @ 8600' - 8500' 50 sxs @ 7800' - 7600'

25 sxs @ 6500' - 7600'

25 sxs @ 4550' - 4450'

15 sxs @ surface

Erected prescribed 4" x 4' marker Well D&A November 2, 1963.

RECEIVED

RECEIVED

NOV. SCIENCE INTERVENTION

N. S. CECULORICAL MENICO

ARTLS: A. NEW MENICO

Verbal approval granted October 31, 1963, via telephone conversation between R. E. Shook of U.S.G.S. and R. D. Vassar of Shell Oil Company.

1 understand	that this plan of work must receive approval in writing	ng by the Geological Survey before operations may be con	nmenced.
Company _	Shell Oil Company		
Address	Box 1858	W heens	• • •
	Roswell, New Mexico	By for B. Bingman	
		Title Division Mashandan	Radae

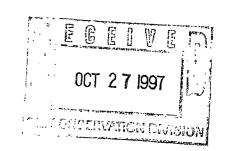
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NEW MEXICO OIL CONSERVATION COMMISSION

OPERATOR Shell Oil Company		ADDRES	Ros		: 1858, New Mex	1co 8	8201		
FIELD Henshaw-Wolfcamp	LEASE	Hensh		p Unit	;		WELL	NO	9
LOCATION 660' FNL & 1980' FWL, Section						Eddy	County,	Nev	Me
<u>DEVIAT</u>									
100' :	= 1/2 = 3/4	deg. deg.							
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	= 1/4 = 1/2								
408° -	= 1/4	deg.							
	= 1/2 = 1/2								
1450	= 1/4	deg.							
1925' 2680'	= 1/2 = 1 1/	2 deg.							
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Certification of personal knowledge of	Devia	ation Re	ecord:						
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this form, and that such information g	given i	is true	and co	wbre.	e.				
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STATE OF NEW MEXICO COUNTY OF CHAVES									
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Before me, the undersigned a R. A. Lowery , kno									
subscribed hereto, who, after being du	ly swo	orn, on	oath s	tates	that he	is a	acting		
at the direction and on behalf of the instrument and that such well was not	intent	tionall	une wer y devia	ted f	rom the	verti	ns ic al.		
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Sworn and Subscribed to before me	this	s the	1360	_day o	fnov	ember	<u> </u>	9 63	 •
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				—			*-		



October 17, 1997



New Mexico Oil Conservation Division 2040 South Pacheco, Santa Fe, New Mexico 87504 Attn: Mr. Michael Stogner

Re:

Unorthodox Well Location

Henshaw #9

Eddy County, New Mexico

Dear Mr. Stogner:

Please find enclosed a copy of a letter mailed to the offset operators or lessees for notification of our application for administrative approval of an unorthodox gas location for the Henshaw #9 Well, located 660 feet from the North and 1980 feet from the West lines of Section 23, Township 16 South, Range 30 East, in Eddy County, New Mexico. Attached to the letter is a copy of the Exhibit "A" which provides for the names and addresses of those notified.

Very truly yours,

Julie LeMond

/jl Enclosure



October 17, 1997

Re:

Unorthodox Gas Well Location

Henshaw #9

Eddy County, New Mexico

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: PERSONS ON EXHIBIT 'A'

Gentlemen:

Beach Exploration, Inc. has filed an application for administrative approval of an unorthodox gas well location with the New Mexico Oil Conservation Division regarding the Henshaw #9 Well, located 660 feet from the North and 1980 feet from the West lines of Section 23, Township 16 South, Range 30 East, in Eddy County, New Mexico. The well unit is the W/2 of Section 23. Beach's records indicate that you are an offset operator or lessee to the well unit. The application has been filed with the Division, and unless you object in writing to the Division by November 6, 1997, you will be precluded from contesting this matter at a later date. The Division's address is 2040 South Pacheco, Santa Fe, New Mexico.

Very truly yours,

Robert N. Hinson

RNH/jl

EXHIBIT 'A'

W/2 Section 14:

Pioneer Natural Resources USA Inc. PO Box 3178 Midland, TX 79702

S/2 SE/4 and NE/4 SE/4 Section 14:

Phillips Petroleum Company 4001 Penbrook Odessa, TX 79762

NW/4 SE/4 Section 14:

Duncan Oil Inc.
Raymond Duncan
Club Oil & Gas Ltd.
Raymond Twomey Duncan Trust
Vincent Joseph Duncan Trust
1777 S. Harrison St.
Denver, CO 80210

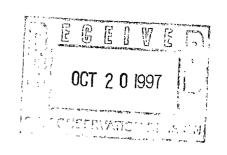
Duncan Oil and Gas Inc. Walter Duncan Oil Properties 100 Park Ave. Bldg, Suite 1200 Oklahoma City, OK 73102

NE/4 Section 14

Enron Oil & Gas 4000 N. Big Spring, Suite 500 Midland, TX 79705



October 17, 1997



Re: Unorthodox Gas Well Location Henshaw #9

Eddy County, New Mexico

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: PERSONS ON EXHIBIT 'A'

Gentlemen:

Beach Exploration, Inc. has filed an application for administrative approval of an unorthodox gas well location with the New Mexico Oil Conservation Division regarding the Henshaw #9 Well, located 660 feet from the North and 1980 feet from the West lines of Section 23, Township 16 South, Range 30 East, in Eddy County, New Mexico. The well unit is the W/2 of Section 23. Beach's records indicate that you are an offset operator or lessee to the well unit. The application has been filed with the Division, and unless you object in writing to the Division by November 6, 1997, you will be precluded from contesting this matter at a later date. The Division's address is 2040 South Pacheco, Santa Fe, New Mexico.

Very truly yours,

Robert N. Hinson

RNH/jl

EXHIBIT 'A'

W/2 Section 14:

Pioneer Natural Resources USA Inc. PO Box 3178 Midland, TX 79702

S/2 SE/4 and NE/4 SE/4 Section 14:

Phillips Petroleum Company 4001 Penbrook Odessa, TX 79762

NW/4 SE/4 Section 14:

Duncan Oil Inc.
Raymond Duncan
Club Oil & Gas Ltd.
Raymond Twomey Duncan Trust
Vincent Joseph Duncan Trust
1777 S. Harrison St.
Denver, CO 80210

Duncan Oil and Gas Inc. Walter Duncan Oil Properties 100 Park Ave. Bldg, Suite 1200 Oklahoma City, OK 73102

NE/4 Section 14

Enron Oil & Gas 4000 N. Big Spring, Suite 500 Midland, TX 79705

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• Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b.	I also wish to receive the following services (for an extra
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T does not permit.	FINAL MARKET CANADA CAN
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delivered.	Consult postmaster for fee.
3. Article Addressed to:	4a. Article Number
Pioneer Natural Resources USA	P 451 328 170
E PO BOX 31/8	4b. Service Type
§ Midland, TX 79702	Registered Insured
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3. Article Addressed to: Phillips Petroleum Company 4001 Penbrook Odessa, TX 79762	4b. Service Type
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Walter Duncan Oil Properties	P,451 328 169
3. Article Addressed to: Duncan Oil & Gas Inc. Walter Duncan Oil Properties 100 Park Ave. Blog. Suite 100	4b. Service Type
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	52-714 DOMESTIC RETURN RECEIPT

DOMESTIC RETURN RECEIPT

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Enron Oil & Gas 4000 N. Big Spring, Suite 500 Midland, TX 79705 RECEIVED OCT 2 2 1997	4a. Article Number P 451 328 346 4b. Service Type Registered Insured Certified COD Express Mail Return Receipt for Merchandise Date of Delivery
5. Cignature (Addressee) 6. (Signature (Agent) PS Form 3811, December 1991 +U.S. GPO: 1993-352	8. Addressee's Address (Only if requested grand fee is paid)

P 451 328 345

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL (See Reverse)

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234-55	Sent to Duncan Oil Inc.									
PS Form 3800, June 1985 aus.g.Ro. 1989-234-556	Street and No. 1777 S. Harrsion St.									
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OIL CONSERVATION DIVISION 2040 South Pacheco Street Santa Fe, New Mexico 87505 (505) 827-7131

OIL CONSERVATION DIVISION

October 20, 1997

Beach Exploration, Inc. 800 N. Marienfield - Suite 200 Midland, Texas 79701-3382

Attention:

Charles "Sandy" Beach

RE:

Administrative application dated October 1, 1997 for an exception to Division General Rules 104.B(1)(a), applicable to the Morrow formation, and 104.C(2)(b), applicable to the Undesignated Henshaw-Atoka Gas Pool, for the proposed reentry and deepening of the plugged and abandoned Skelly Oil Company Henshaw Deep Unit Well No. 9 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 23, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Mr. Beach:

Please comply fully with the provisions of Division General Rules 104.F(3) and (4), see copy attached. The subject application will be held until such time as you have met these necessary notification requirements.

Should you have any questions or comments concerning these rules, requirements and/or procedures after you have reviewed them, please contact me at (505) 827-8185.

Sincerely

Michael E. Stogner

Chief Hearing Officer/Engineer

Co: Oil Conservation Division - Artesia
 U. S. Bureau of Land Management - Carlsbad
 William J. LeMay, Director - OCD, Santa Fe

- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the nonstandard spacing unit within 20 days after the Director has received the application. [5-25-64... 2-1-96]
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing. [5-25-64...2-1-96]
- (3) <u>Number of Wells Per Spacing Unit in Non-Prorated</u>

 <u>Gas Pools</u>: Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools. [5-25-64...2-1-96]
- 104.E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage. [12-29-52...2-1-96]

104.F. UNORTHODOX LOCATIONS

- (1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location. [1-1-50...2-1-96]
- (2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon. [1-1-82... 2-1-96]
- (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location. [2-9-66...2-1-96]

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches. [2-9-66...2-1-96]
- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
 - the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
 - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
 - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.

[2-9-66...2-1-96]

- attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application. [2-9-66...2-1-96]
- (5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s). [1-1-82...2-1-96]
- 104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location. [1-1-50...2-1-96]
- 104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40. [1-1-50...2-1-96]
- 104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool. [1-1-50...2-1-96]
- 104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre. [1-1-50...2-1-96]
 - 104.K. The provisions of Rules 104.H and 104.I above shall apply only





October 24, 1997

New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Attn: Mr. Michael E. Stogner

RE: Administrative application dated October 1, 1997 for an Exception to Division General Rules 104.B(1)(a), applicable to the Morrow Formation, and 104.C(2)(b), applicable to the Undesignated Henshaw-Atoka Gas Pool, for the proposed reentry and deepening of the plugged and abandoned Skelly Oil Company Henshaw Deep Unit No. 9 located 660 feet from the North Line and 1980 feet from the West Line (Unit C) of Section 23, Township 16 South, Range 30 East, NMPM, Eddy Co., New Mexico

Dear Mr. Stogner:

In regard to your letter dated October 20, 1997, concerning Division General Rules 104.F (3) and (4) covering the above referenced administrative application, please find enclosed a copy of the requested plat and a list of the affected parties.

The affected parties were sent notification by our letter dated, October 17, 1997, and I have enclosed copies of our return receipts showing said notification was received.

The adjoining spacing unit to our unorthodox location is the W/2 of Section 14 and the diagonal spacing unit is the E/2 of Section 14 as shown on the enclosed plat. The affected parties are listed by tract within said spacing units as shown on the attached list.

Page 2 - Michael Stogner

Please let me know if you require any additional information.

Thank you for your assistance in this matter.

Yours very truly,

Robert N. Hinson

RNH/bw Enclosure

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. 9241 Order No. R-8553

APPLICATION OF PETRUS OPERATING COMPANY, INC. FOR POOL CREATION AND AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 21 and November 18, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of November, 1987, 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) The applicant, Petrus Operating Company, Inc., seeks the creation of a new gas pool for Lower Pennsylvanian production comprising the W/2 of Section 14, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.
- (3) The applicant further seeks approval for an unorthodox gas well location for its Henshaw Federal Well No. 1 located 330 feet from the South line and 1750 feet from the West line (Unit N) of said Section 14.
- (4) Said Henshaw Federal Well No. 1 was originally drilled at a standard oil well location to test the Devonian formation and was subsequently completed in the Atoka formation.

- (5) The evidence in this case indicates that the aforementioned Henshaw Federal Well No. 1 has discovered a separate common source of supply in the Atoka formation in the perforated interval from 10,374 feet to 10,390 feet.
- (6) Initial completion data from the Henshaw Federal Well No. 1 shows the well to be producing at a gas-oil ratio of approximately 11,642 cubic feet of gas per barrel of oil.
- (7) Evidence presented in this case indicates that despite the relatively low producing gas-oil ratio, the Atoka formation in the Henshaw Federal Well No. 1 exhibits characteristics of a retrograde gas condensate reservoir.
- (8) The applicant presented further evidence which shows that there are currently several gas pools located in the general vicinity of the proposed pool, most notably the Little Lucky Lake-Morrow Gas Pool, whose wells have consistently produced at gas-oil ratios similar to that gas-oil ratio currently being produced in the Henshaw Federal Well No. 1.
- (9) The evidence in this case is sufficient to justify the classification of the proposed pool as a gas pool.
- (10) A new gas pool should be created and designated the Henshaw-Atoka Gas Pool; the horizontal limits of said pool should comprise the W/2 of Section 14, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico; the Henshaw-Atoka Gas Pool should be governed by Division Statewide Pennsylvanian Gas Rules and Regulations, as contained in Rule No. 104 C (II) (a) of the Division Rules and Regulations, which require 320-acre well spacing and proration units and designated well locations.
- (11) No offset operator objected to the unorthodox location of the Henshaw Federal Well No. 1.
- (12) In order to prevent waste caused by the drilling of unnecessary wells, to allow the applicant the opportunity to produce the oil and gas underlying the W/2 of said Section 14, and to otherwise protect correlative rights, the proposed unorthodox gas well location should be approved.

IT IS THEREFORE ORDERED THAT:

(1) A new gas pool in Eddy County, New Mexico, is hereby created and designated the Henshaw-Atoka Gas Pool

with horizontal limits comprising the following described acreage:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM Section 14: W/2

- (2) The Henshaw-Atoka Gas Pool shall be governed by Division Statewide Pennsylvanian Gas Rules and Regulations, as contained in Rule No. 104 C (II)(a) of the Division Rules and Regulations, which require 320-acre well spacing and proration units and designated well locations.
- (3) The application of Petrus Operating Company for an unorthodox gas well location for its Henshaw Federal Well No. 1 located 330 feet from the South line and 1750 feet from the West line (Unit N) of said Section 14, Henshaw-Atoka Gas Pool, is hereby approved.
- (4) The W/2 of said Section 14 shall be dedicated to the well.
- (5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMAY

Director

SEAL

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Henshaw Op. Unit #9	
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W/2 Section 14:

Pioneer Natural Resources USA Inc. (Operator) PO Box 3178 Midland, TX 79702

S/2 SE/4 and NE/4 SE/4 Section 14:

Phillips Petroleum Company 4001 Penbrook Odessa, TX 79762

NW/4 SE/4 Section 14:

Duncan Oil Inc.
Raymond Duncan
Club Oil & Gas Ltd.
Raymond Twomey Duncan Trust
Vincent Joseph Duncan Trust
1777 S. Harrison St.
Denver, CO 80210

Duncan Oil and Gas Inc. Walter Duncan Oil Properties 100 Park Ave. Bldg, Suite 1200 Oklahoma City, OK 73102

NE/4 Section 14

Enron Oil & Gas 4000 N. Big Spring, Suite 500 Midland, TX 79705