POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

June 9, 1999



#### Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Re: Administrative application of Chi Energy, Inc. ("Chi") for an unorthodox oil well location (Delaware and Bone Spring formations):

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL SE¼SW¼ §1, Township 19 South, Range 30 East, NMPM Eddy County, New Mexico

Dear Mr. Stogner:

The above application was submitted on May 25, 1999, requesting approval of the location as to the <u>Delaware</u> formation. Because you pointed out to me that the APD lists the <u>Bone Spring</u> formation as the target zone, I confirmed by letter dated June 2, 1999 that the well would be drilled to a depth sufficient to test the deeper horizon. The Bone Spring is a secondary objective.

By letter dated June 7, 1999, you returned the application to me, because Ray Westall had not waived objection as to the Bone Spring. Please be advised that Ray Westall is the offset operator only in the <u>Queen</u> formation (he owns no interest in the Delaware or Bone Spring formations; <u>see</u> copy of the original application attached hereto). Mr. Westall's waiver was included only for completeness' sake, and not because notice to him was required. However, a revised waiver is being obtained from Mr. Westall, and will be forwarded to you shortly.

As noted in the enclosed revised application, Chi is the only offset working interest owner in both the Delaware <u>and</u> Bone Spring formations, and thus notice of the revised application has not been given to anyone.

Please call if you have any questions.

Very truly yours,

James Bruce

 $\prime$ Attorney for Chi Energy, Inc.

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

May 25, 1999

#### Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Dear Mr. Stogner:

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

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL SE¼SW¼ §1, Township 19 South, Range 30 East, NMPM Eddy County, New Mexico

The well will be drilled to a depth of approximately 6700 feet subsurface, to test the Delaware formation (wildcat Delaware). Well spacing is 40 acres, with wells to be located no closer than 330 feet to a quarter-quarter section line. Attached hereto as Exhibit A is an APD for the well.

The location is due to topographic reasons. The well was originally proposed at an orthodox location 660 feet FSL and 2310 feet FWL, but the Bureau of Land Management ("BLM") required that the well be moved to the above-requested location to accommodate surface drainage patterns. Attached as Exhibit B is a topographic map, which shows that the northern portion of the well unit is relatively flat compared with the southern part of the quarter-quarter section, thus alleviating any drainage concerns.

The entire SW% of Section 1 is one federal lease, with common royalty and overriding royalty interest ownership in the Delaware formation. Chi is the only working interest owner in the Delaware formation in all offsetting well units. The only shallow rights



<sup>&</sup>lt;sup>1</sup>The operator of the well will be Chi Operating, Inc.

offset operator (in the Queen formation) is Ray Westall. Mr. Westall has waived objection to the location, as shown on Exhibit C. Thus, notice has not been give to any offset operator. As a result, Chi requests that the 20 day notice period be waived.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

James Bruce

Jan Carlo

Attorney for Chi Energy, Inc.

cc: John Qualls

ABOVE THIS LINE FOR DIVISION USE ONLY

# **NEW MEXICO OIL CONSERVATION DIVISION**

- Engineering Bureau -

# ADMINISTRATIVE APPLICATION COVERSHEET

		ADMINISTRATIVE AFFEIGATION GOVERNILET
	THIS COVE	SHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS
Application Acro	[DHC-D [PC	[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]  [DD-Directional Drilling] [SD-Simultaneous Dedication]  [Dwnhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  -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]  [walified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]
· -		PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Directional Drilling NSL NSP DD DSD
	[B]	One Only for [B] or [C] Commingling - Storage - Measurement  DHC CTB PLC PC OLS OLM
		Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  WFX PMX SWD IPI EOR PPR
NOTIF	ICATI [A]	ON REQUIRED TO: - Check Those Which Apply, or Does Not Apply - No affective Working, Royalty or Overriding Royalty Interest Owners  Offset Operators, Leaseholders or Surface Owner  Owner
ļ	[B]	Offset Operators, Leaseholders or Surface Owner
		Application is One Which Requires Published Legal Notice
ł	[D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
Ĭ	[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,
1	[F]	☐ Waivers are Attached
[3] INFOR	MATI	ON / DATA SUBMITTED IS COMPLETE - Statement of Understanding
Regulations of tapproval is accurately RI, ORRI) is co	the Oil ( arate and ommon.	Or personnel under my supervision, have read and complied with all applicable Rules and Conservation Division. Further, I assert that the attached application for administrative of complete to the best of my knowledge and where applicable, verify that all interest (WI, I further verify that all applicable API Numbers are included. I understand that any mation or notification is cause to have the application package returned with no action

JAMES BRUCE P.O. BOX 1056 SANTA FE, NM 87504 Note: Statement must be completed by an individual with supervisory capacity

Signature

Title

Date

. .

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

June 9, 1999

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The well will be drilled to a depth of approximately 6700 feet subsurface, to test the Bone Spring formation (Undesignated Benson-Bone Spring Pool). Chi also requests unorthodox location approval for the Delaware formation (wildcat Delaware), which is the primary zone of interest. Well spacing in both formations is 40 acres, with wells to be located no closer than 330 feet to a quarter-quarter section line. Attached hereto as Exhibit A is an APD for the well.<sup>1</sup>

The location is due to topographic reasons. The well was originally proposed at an orthodox location 660 feet FSL and 2310 feet FWL, but the Bureau of Land Management required the well to be moved to the above-requested location to accommodate surface drainage patterns. Attached as Exhibit B is a topographic map, which shows that the northern portion of the well unit is relatively flat compared with the southern part of the quarter-quarter section, thus alleviating any surface drainage concerns.

<sup>&</sup>lt;sup>1</sup>The operator of the well will be Chi Operating, Inc.

The entire SW% of Section 1 is one federal lease, with common working, royalty, and overriding royalty interest ownership in <a href="https://docs.not.new.ownership.com">both</a> the Delaware and Bone Spring formations. Thus, ownership is common in all offsetting well units, and notice has not been give to any offset interest owner. As a result, Chi requests that the 20 day notice period be waived.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

James Bruce

ttorney for Chi Energy, Inc.

cc: John Qualls

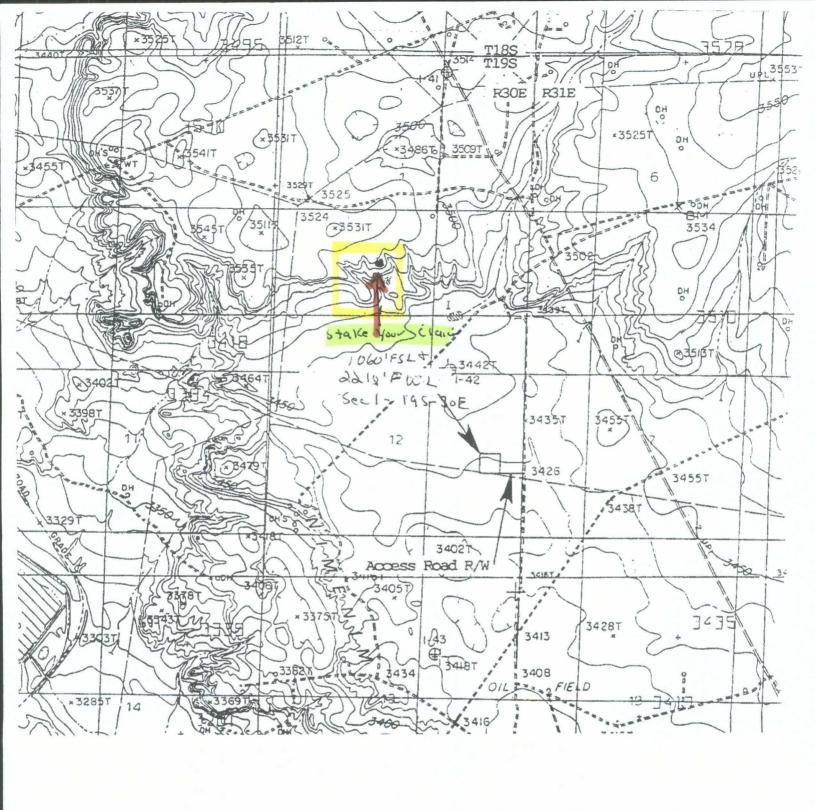
# SUBMIT IN TRIPLICATES

FORM APPROVED OMB NO. 1004-0136 Expires: February 28, 1995

# UNITED STATES DEPARTMENT OF THE INTERIOR

(Other instructions on reverse side)

Ia. TYPE OF WORK	BUREAU OF LAND MANAGEMENT						LC-05603	3.53	
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b. TYPE OF WELL	RILL I		DEEPEN			. •		7, UNIT AGRESMENT	NAMB
WHILE IN	WELL	OTHER			INGIAE	MULTII	'LE []	B. FARM OR LEASE NAME	
. NAME OF OFFRATOR			The state of the s		915/	COE	E 0 0 1	f	Claim Federal
Chi Operat		ac.			310/	003-	3001	9. API WELL NO. 1	
P. O. Box			Mi	dlan	d, Texas	797	02	10. PIBLO AND POOL.	OR WILDCAT
. LOCATION OF WELL (	Report locati	on clearly and	in accordance w	th any	tate requirement	(e.*)		Benson Bo	ne Spring
106 At proposed prod. s		& 2210 <i>'</i>	FWL					Sec. 1-T1	AREA
4. DISTANCE IN MILES	Se AND DIRECTI	ON FROM NEAR	EST TOWN OR POS	T OFFIC	9 •		<del></del>	12. COUNTY OR PARIS	
16 road m	iles S	. Loco I	Hills, NM					Eddy	New Mexic
O. DISTANCE FROM PRO LOCATION TO NEARE PROPERTY OF LEASE (Also to nearest dr	BT Lind, Pt.		503′	16. NO	2160.32	EASE		PF ACRES ASSIGNED HIS WELL 40	
TO NEAREST WELL,	POSED LOCAT	ION*		19. FR	oresse partii		20. ROTA	RY OR CABLE TOULS	
OR APPLIED FOR, ON T	HIS LEADS, PT.		948′		6700′			Rotary	OBS WILL BYING
3509'		r, GR. etc.;						June 7,	
3309	<u> </u>	_	PROPOSED CASI	NG AND	CEMENTING P	ROGRAM			
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17 1/2"	-	/8"H-40	48.0#		450′		Circ.	450 sx "C"	
11" 7 7/8"	8 5/	/8'J-55 /2"N-80	32.0# 15.5#	LTC	3,200' 6,700'			900 sx "C"	+ add.
0' - 450' -	3200': Br		Gel spud mud e mud		Mud Wt. 8.4- ppg 10.2 ppg 8.6- 8.7 ppg	Vis. 34-36 28-32 28-32	5 No 2 No	L Control W/L control W/L control W/L control	
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	IE PROPOSED 1 Inent data on sub	PROGRAM: If posturface locations	roposal is to deepen, g and measured and in	e vertical	on present productive depths. Give blows	ut prevent	ed proposed of program, i	new productive zone. If pr f my.	roposal is to drill or
ABOVE SPACE DESCRIE pen directionally, give pert		/ /	TITI	C	hi Operat	ing	Inc.	May	18, 1999
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RIGNED LUCE (This space for Feder PERMIT NO	not warriest or cer		cant holds legat or equ						хнівіт





June 7, 1999

Chi Energy, Inc. c/o James Bruce P. O. Box 1056 Santa Fe, New Mexico 87504

Re

Administrative application on behalf of Chi Energy, Inc. for an unorthodox oil well location within the shallower wildcat Delaware formation and the deeper Undesignated Benson-Bone Spring Pool for its proposed Stake Your Claim Federal Well No. 1 to be drilled 1060 feet from the South line and 2210 feet from the West line (Unit N) of Section 1, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. A standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of Section 1 is the proposed acreage to be dedicated to this well for both intervals.

Dear Mr. Bruce:

Your letter dated June 2, 1999 served to clarify my concerns about the discrepancy that existed between your original application filed with the New Mexico Oil Conservation Division's Santa Fe office on May 25, 1999 and the Federal "APD" Form 1004-0136 dated May 18, 1999 that was attached. However, Chi Energy, Inc.'s request to also include the deeper Undesignated Benson-Bone Spring Pool changes this application significantly. Since the notification letter/waiver from Mr. Ray Westall dated May, 17, 1999 specified the shallower Delaware interval, it is inadequate to cover the deeper Bone Spring interval; therefore, Chi Energy, Inc.'s application is hereby withdrawn and is being returned to be resubmitted in its entirety.

Sincerely,

Michael E. Stogner

Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia U. S. Bureau of Land Management – Carlsbad

JAMES BRUCE
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504
Telephone: (505) 982-2043
Fax: (505) 982-2151

## FAX COVER SHEET

DELIVER TO: Michael E. Stogner

COMPANY: Oil Conservation Division

CITY: Santa Fe, New Mexico

FAX NUMBER: 827-8177

NUMBER OF PAGES: 2 (Including Cover Sheet)

DATE SENT: 6/2/99

MEMO:

## CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and/or legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

POST OFFICE BOX 1056 SANTA FR, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

June 2, 1999

# Via Fax and U.S. Mail

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Re: Administrative application of Chi Energy, Inc. ("Chi") for an unorthodox oil well location:

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL SENSWN §1, Township 19 South, Range 30 East, NMPM Eddy County, New Mexico

Dear Mr. Stogner:

In response to your phone call, please be advised that the proposed well will be drilled to a depth sufficient to test the Bone Spring formation (Undesignated Benson-Bone Spring Pool), as indicated on the APD. Thus, Chi requests unorthodox location approval for the Bone Spring as well as for the Delaware. The Bone Spring is strictly a secondary objective.

Ownership of the Bone Spring is the same as the Delaware, and thus notice of this supplemental request has not been given to any additional persons.

Very truly yours,

fames Bruce

Attorney for Chi Energy, Inc.

#### NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

**ADMINISTRATIVE APPLICATION COVERSHEET** THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS **Application Acronyms:** [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location] [DD-Directional Drilling] [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] Location - Spacing Unit - Directional Drilling DD I NSL NSP O SD Check One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PI.C. I PC OLS OLM. Injection - Disposal - Pressure Increase - Enhanced Oil Recovery ☐ WFX ☐ PMX SWD ☐ IPI ☐ PPR ☐ EOR NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply [2] ☐ Working, Royalty or Overriding Royalty Interest Owners [A] [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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Statement must be completed by an individual with supervisory capacit

JAMES BRUCE P.O. BOX 1056 SANTA FE, NM 87504

Print or Type Name

Signature

Title An Vican

Date

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

May 25, 1999

#### Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Dear Mr. Stogner:

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

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL SE¼SW¼ §1, Township 19 South, Range 30 East, NMPM Eddy County, New Mexico

The well will be drilled to a depth of approximately 6700 feet subsurface, to test the Delaware formation (wildcat Delaware). Well spacing is 40 acres, with wells to be located no closer than 330 feet to a quarter-quarter section line. Attached hereto as Exhibit A is an APD for the well.

The location is due to topographic reasons. The well was originally proposed at an orthodox location 660 feet FSL and 2310 feet FWL, but the Bureau of Land Management ("BLM") required that the well be moved to the above-requested location to accommodate surface drainage patterns. Attached as Exhibit B is a topographic map, which shows that the northern portion of the well unit is relatively flat compared with the southern part of the quarter-quarter section, thus alleviating any drainage concerns.

The entire  $SW_{4}$  of Section 1 is one federal lease, with common royalty and overriding royalty interest ownership in the Delaware formation. Chi is the only working interest owner in the Delaware formation in all offsetting well units. The only shallow rights

<sup>&</sup>lt;sup>1</sup>The operator of the well will be Chi Operating, Inc.

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This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

James Bruce

Attorney for Chi Energy, Inc.

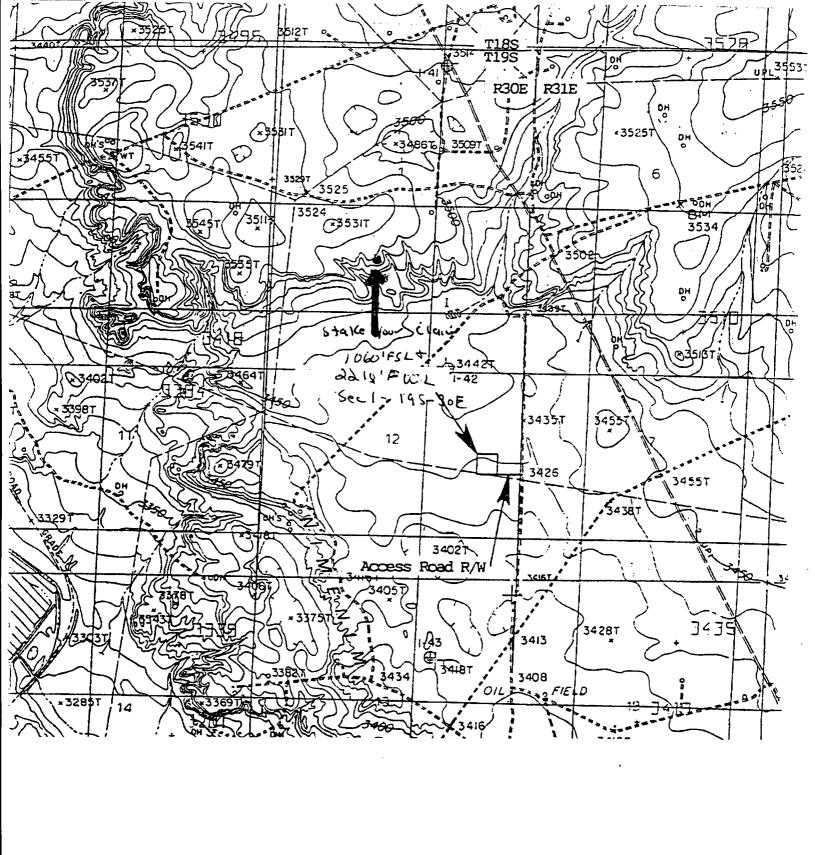
cc: John Qualls

# (Other instructions on reverse side) UNITED STATES

SUBMIT IN TRIPLICATE\*

FORM APPROVED OMB NO. 1004-0136 Expires: February 28, 1995

DEPARTMENT OF I					5. LEASE DESIGNAT	ION AND BERIAL NO.
BUREAU OF LAND	LC-0560	353				
APPLICATION FOR PERMIT	6. IF INDIAN, ALLOI	TER OR TRIBE NAME				
1a. TYPE OF WORK  DRILL X  DEE	PEN 🗌				7. UNIT AGREEMENT	T NAME
b. TYPE OF WELL						
OIL X GAS OTHER		SINGLE .	MULTIP Zone		8. FARM OR LEASE HAME	
NAME OF OPERATOR		915/	C 0 E _ I	5001		Claim Federa
Chi Operating, Inc.		915/		3001	9. API WELL NO.	
P. O. Box 1799	Midlar	nd, Texas	7970	02	10. FIELD AND POOL	OR WHOCAT
. LOCATION OF WELL (Report location clearly and in accorde	ance with any	State requirement	B. • )	·	.]	
1060'FSL & 2210' FWL					11. SEC., T., R., M., C	one Spring
At proposed prod. zone	•				AND SURVEY OR	AREA
Same		- <del></del>		<del></del>		19S-R30E
DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN		·= •		•	12. COUNTY OR PARIS	New Mexic
16 road miles S. Loco Hills,		O. OF ACRES IN LI		1 17 WO 6	PF ACRES ASSIGNED	INEM MEXT
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(Also to nearest drig. unit line, if any)  DISTANCE FROM PROPOSED LOCATION*		ROPOSED DEPTH		20. ROTA	RY OR CABLE TOOLS	
TO NEAREST WELL, DRILLING, COMPLETED. OR APPLIED FOR, ON THIS LEASE, FT. 948'	13. 1.		į		Rotary	
. BLEVATIONS (Show whether DF, RT, GR, etc.)		6700'				YORK WILL START
3509' GL					June 7,	1999
PROPOSEI	D CASING ANI	CEMENTING PI	ROGRAM			
SIZE OF HOLE GRADE SIZE OF CASING WEIGHT	T PER FOOT	SETTING DEP	TH	<del></del>	QUANTITY OF CEM	ENT
17 1/2" 13 3/8"H-40 48	3.0#STC	450′		Circ.	450 sx "C	
11" 8 5/8'J-55 32	0#LTC	3,200'		Circ	900 sx "C"	
7 7/8" 5 1/2"N-80 15	.5#LTC	6,700'		600 s	sx "C"	
Mud Program:  0' - 450': Fresh water w/Gel spud 450' - 3200': Brine mud 3200' - 6700': Controlled brine mud  BOP Program:  A 10" 3000 psi wp Shaffer Type "E" dot Casing and BOP will be tested before dri  *NOTE: If severe lost circulation is NO drill ahead WITHOUT setting the 8 5/8" 1600 sx of "C" + add. circulated to surface	uble hydrauli illing out with oT encounters casing. The	h 11". BOP wil	l be will be	No No No No alled on the teste reduced	d daily. at 3200' to 7 7/8" a	nd ·
ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to come directionally, give pertinent data on subsurface locations and measure	deepen, give data ed and true vertica	on present productive lidepths. Give blown	e zone an ut prevent	d proposed : er program, i	new productive zone. If   fany.	proposal is to drill or
/ 0 /	A	gent for	:			
SIGNED George & Smith.	TITI.R	hi Operat	ing,	Inc.	May	18, 1999
(This space for Federal or State office use)		<del> </del>				
PERMIT NO.		APPROVAL DATH	<del></del>		E.	XHIBIT
Application approval does not warrant or certify that the applicant holds leg CONDITIONS OF APPROVAL, IF ANY:	gal or equitable title	e to those rights in the	subject lea	se which wou		arrest seat
	nn.e	On Revense Sid		*	DATE	





# CHI ENERGY. INC.

P.O. BOX 1799 MIDLAND, TEXAS 79702

May 14, 1999

Mr. Ray Westall Box 4 Loco Hills, New Mexico 88550

Re: Chi Operating - Stake Your Claim Fed No. 1

Located: 2210' FWL & 1060' FSL of

Section 1 – 19S –30E, Eddy County, New Mexico

Dear Mr. Westall:

Chi Energy, Inc. has proposed to drill the above referenced Delaware test within the next ninety days. The Bureau of Land Management has requested that Chi's proposed location be moved to the above referenced location to accommodate surface drainage patterns.

Our records indicate that your company operates the Queen production immediately offsetting this location to the north. The purpose of this letter is to request Ray Westall Operating, Inc.'s permission to drill the above non-standard location.

Should this request be acceptable to you, please indicate by signing below and returning one copy at your earliest convenience. Thank you for your time and attention to this matter.

Sincerely,

William R. Bergman

Agreed to and accepted this \_\_\_\_\_\_

\_ day of

May, 1999 by:



POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

May 25, 1999

## Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

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Attorney for Chi Energy, Inc.

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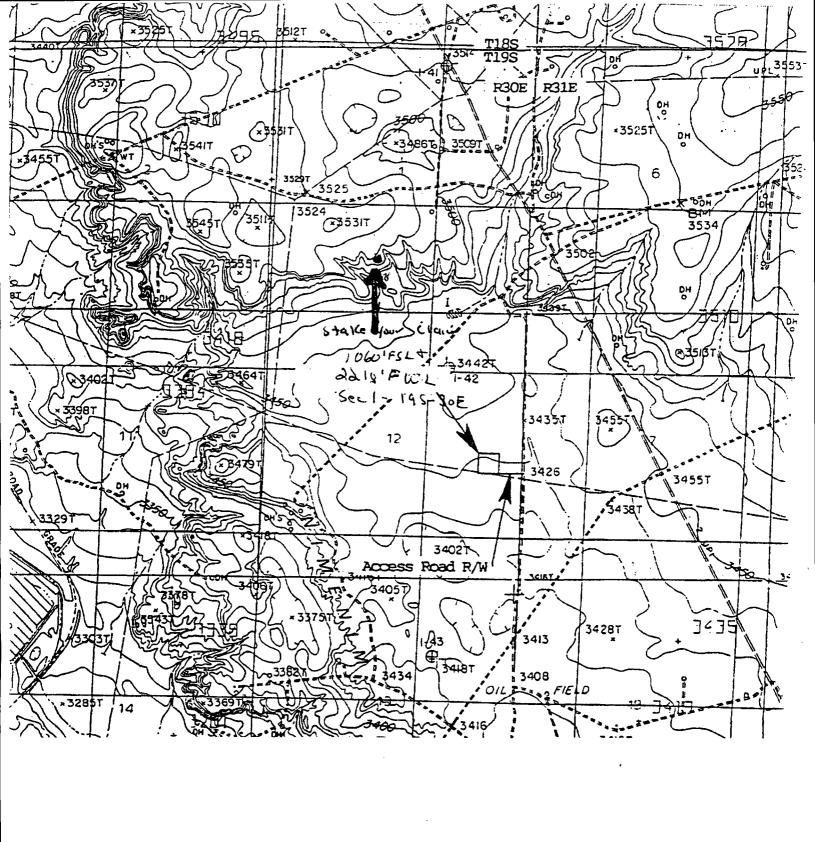
SUBMIT IN TRIPLICATE. (Other instructions on reverse side)

E

# UNITED STATES DEPARTMENT OF THE INTERIOR

,- <del></del> -	FORM APPROVED OMB NO. 1004-0136 Expires: Pebruary 28, 1995
5	LEASE DUBIGNATION AND SEDIAL NO.

	LC-0560353								
APPL	G. IF INDIAN, ALLOT	TES OR TR	IDS NAME						
1a. TYPH OF WORK DI	RILL 🗵	DEEPEN					7. UNIT AGREEMENT	P HAMB	
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RIGNED Geor	gel Smi	<u>dt. 7171</u>	Ac Ci	gent for: ni Operat	ing,	Inc.	May	18,	1999
(This space for Feder	ral or State office us	e)							
PERMIT NO.			A:	PPROVAL DATH			E	XHIBI	T
		the applicant holds legal or equ	itable title	to those rights in the	subject les	se which wou		_	deserve átez
APPROVED BY		TITLE _	lions O	n Revene Sid			DATE		





# CHI ENERGY, INC.

P.O. BOX 1799 MIDLAND, TEXAS 79702

May 14, 1999

Mr. Ray Westall Box 4 Loco Hills, New Mexico 88550

Re:

Chi Operating - Stake Your Claim Fed No. 1

Located: 2210' FWL & 1060' FSL of

Section 1 - 19S -30E, Eddy County, New Mexico

Dear Mr. Westall:

Chi Energy, Inc. has proposed to drill the above referenced Delaware test within the next ninety days. The Bureau of Land Management has requested that Chi's proposed location be moved to the above referenced location to accommodate surface drainage patterns.

Our records indicate that your company operates the Queen production immediately offsetting this location to the north. The purpose of this letter is to request Ray Westall Operating, Inc.'s permission to drill the above non-standard location.

Should this request be acceptable to you, please indicate by signing below and returning one copy at your earliest convenience. Thank you for your time and attention to this matter.

Sincerely,

William R. Bergman

Agreed to and accepted this \_\_\_\_

······· '

May, 1999 by:



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POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

June 9, 1999

#### Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Dear Mr. Stogner:

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

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL SE¼SW¼ §1, Township 19 South, Range 30 East, NMPM Eddy County, New Mexico

The well will be drilled to a depth of approximately 6700 feet subsurface, to test the Bone Spring formation (Undesignated Benson-Bone Spring Pool). Chi also requests unorthodox location approval for the Delaware formation (wildcat Delaware), which is the primary zone of interest. Well spacing in both formations is 40 acres, with wells to be located no closer than 330 feet to a quarter-quarter section line. Attached hereto as Exhibit A is an APD for the well.<sup>1</sup>

The location is due to topographic reasons. The well was originally proposed at an orthodox location 660 feet FSL and 2310 feet FWL, but the Bureau of Land Management required the well to be moved to the above-requested location to accommodate surface drainage patterns. Attached as Exhibit B is a topographic map, which shows that the northern portion of the well unit is relatively flat compared with the southern part of the quarter-quarter section, thus alleviating any surface drainage concerns.

<sup>&</sup>lt;sup>1</sup>The operator of the well will be Chi Operating, Inc.

The entire SW% of Section 1 is one federal lease, with common working, royalty, and overriding royalty interest ownership in both the Delaware and Bone Spring formations. Thus, ownership is common in all offsetting well units, and notice has not been give to any offset interest owner. As a result, Chi requests that the 20 day notice period be waived.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

James Bruce

ttorney for Chi Energy, Inc.

cc: John Qualls

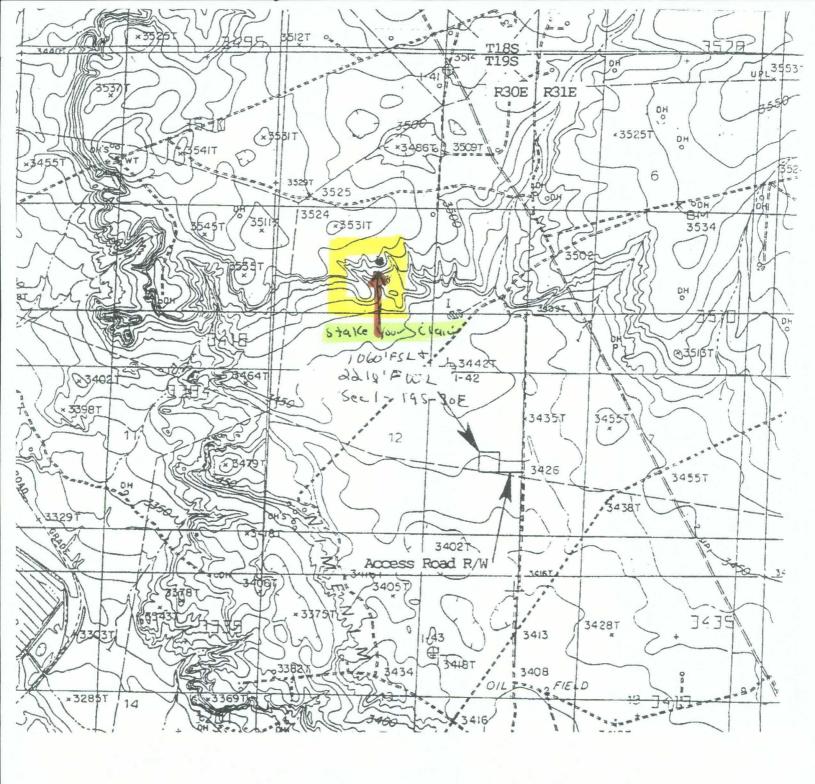
# SUBMIT IN TRIPLICATE. (Other instructions on reverse side)

FORM APPROVED OMB NO. 1004-0136 Expires: February 28, 1995

# UNITED STATES DEPARTMENT OF THE INTERIOR

5. LEASE DESIGNATION AND SERIAL NO.

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3. ADDRESS AND TELEPHONE NO. P. O. BOX		Midlar	nd, Texas 797	02	10. FIELD AND POOL,	OR WILDCAT
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RIGNED Dear	up Smitte	TITLE	thi Operating	, Inc.	May May	18, 1999
(This space for Feder	al or State office use)					
PERMIT NO.			APPROVAL DATE		E)	HIBIT
Application approval does no CONDITIONS OF APPROVAL	ot warrant or certify that the appl . IF ANY:	icant holds legal or equitable titl	e to those rights in the subject le	ase which wo	uld entitle ti	
APPROVED BY		TITLE			DATE	





POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

June 10, 1999

#### Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Re: Administrative application of Chi Energy, Inc. ("Chi") for an unorthodox oil well location (Delaware and Bone Spring formations):

JUN 1 4 1999

OIL CONSERVATION DIVISION

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL

SE¼SW¼ §1, Township 19 South, Range 30 East, NMPM

Eddy County, New Mexico

Dear Mr. Stogner:

As promised by my letter of June 9, 1999, enclosed is a waiver letter from Ray Westall, waiving objection to the Bone Spring test.

Very truly yours,

James Bruce

THE STATE OF STATE OF

Attorney for Chi Energy, Inc.

Jun 10'99 \_\_\_9:38 No.018 P.01 Jun 10'99 \_\_\_14:24 No.018 P.02

PAK 916 687-9869

CHI ENERGY, INC. P.O. BOX 1709 MIDLAND. TEKAS 70705

June 9, 1999

Mr. Ray Westall Box 4 Loco Hills, New Mexico 88550

Re: Chi Operating - Stake your Claim Fed No. 1 Located: 2210' FWL & 1060' FSL of Section 1 - 198-34E, Eddy County, New Mexico

Dont Mr. Westall:

Chi Energy, Inc. has proposed to drill the above referenced Bone Spring test within the next minety days. The Bureau of Land Management has requested that Chi's proposed location be moved to the above referenced location to accommodate surface drainage patterns.

Our records indicate that your company operates the Queen production immediately offisetting this location to the north. The purpose of this letter is to request Ray Westall Operating, Inc.'s permission to drill the above non-standard location.

Should this be acceptable to you, please indicate by signing below and returning one copy at your earliest convenience. Thank you for your time and attention to this matter.

Sincerely.

John W. Qualls

JWQ/fb

Agreed to and accepted this O day of June, 1959 by:

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA SANTA FE, NEW MEXICO 87501

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

June 2, 1999

## Via Fax and U.S. Mail

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe. New Mexico 87505

Re: Administrative application of Chi Energy, Inc. ("Chi") for an unorthodox oil well location:

Stake Your Claim Fed. Well No. 1 1060 feet FSL & 2210 feet FWL

SE¼SW¼ §1, Township 19 South, Range 30 East, NMPM

Eddy County, New Mexico

Dear Mr. Stogner:

In response to your phone call, please be advised that the proposed well will be drilled to a depth sufficient to test the Bone Spring formation (Undesignated Benson-Bone Spring Pool), as indicated on the APD. Thus, Chi requests unorthodox location approval for the Bone Spring as well as for the Delaware. The Bone Spring is strictly a secondary objective.

Ownership of the Bone Spring is the same as the Delaware, and thus notice of this supplemental request has not been given to any additional persons.

Very truly yours,

**⊅**ames Bruce

Attorney for Chi Energy, Inc.