J.D. MURCHISON INTERESTS, INC.

VIA FAX - 505-476-3462

December 4, 2003

Mr. Michael Stogner Chief Hearing Examiner State of New Mexico Oil Conservation Division 1220 S. Saint Francis Santa Fe. NM. 87505 Fand copy received 12 - X-ZO MURCHISON PROPERTIES, INC.

PMESO-400637536 Suggi 12-24-2003

RECEIVED

DEC 0 8 2003

OIL CONSERVATION
DIVISION

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

1100 MIRA VISTA BLVD., PLANO, TX 75093-4698 PHONE (972) 931-0700 FAX (972) 931-0701



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 2, 2003

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

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

DEPARTMENT OF THE IN BUREAU OF LAND MANAG			NM 0556859-A S	10111 14140 ON HL		
APPLICATION FOR PERMIT TO DR			6. If Indian, Allottee or	Tribe Name		
ia. Type of Work: DRILL REENTED	t		7. If Unit or CA Agreement, Name and No. NASH UNIT			
1b. Type of Well: Oil Well Gas Well Other	Single Zone Multip	ple Zone	8. Lease Name and Well I NASH UNIT #53	No.		
2. Name of Operator MURCHISON OIL & GAS, INC			9. API Well No.			
3a. Address	3b. Phone No. (include area code)		10. Field and Pool, or Exp	oloratory		
1100 MIRAVISTABLVD., PLANO, TX. 75093-4698		NASH DRAW				
4. Location of Well (Report location clearly and in accordance with a		11. Sec., T., R., M., or Bl	k. and Survey or Area			
At surface 1663' FSL & 2185' FWL						
Vi brobosed blog sour 1880, ENT & 200, EET ANIL F	R-111-P Potes	b	SEC. 12, T23S, R29E			
14. Distance in miles and direction from nearest town or post office*			12. County or Parish	13. State		
17 MILES SOUTHEAST OF CARLSBAD			EDDY	NM.		
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	17. Spacin	g Unit dedicated to this wel	1		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/I	BIA Bond No. on file			
2965' BHL	14000 TVD	<u> </u>	ROTARY			
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will st	tart*	23. Estimated duration			
2986' GL	9/1/02		70 DAYS			
:			Controlled Weter Ba	osin		
The following, completed in accordance with the requirements of Onsho	re Oil and Gas Order No.1, shall be at	tached to this	s form:	•		
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest System SUPO shall be filed with the appropriate Forest Service Office). 	Lands, the Item 20 above). 5. Operator certific	ation.	s unless covered by an exi ormation and/or plans as n	•		
1 (((((((authorized office	er.	<u>.</u>			
25. Signature Michael / Millians	Name (Printed/Typed) MICHAEL S. DAUG	HERTY	,D	6/21/02		
Title VICE PRESIDENT OPERATIONS			·			
Approved by (Signature)	Name (Printed/Typed)	Dh	L. + (u.)D	71/29/12		
Title	Office NM ST	TATE O	FFICE			

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.

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

*(Instructions on reverse)

Conditions of approval, if any, are attached.

operations thereon.

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED.

1980, Nobbe, NK 88241-1980

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 88211-0719

DISTRICT III
1000 Rio Braxos Rd., Axtec, NM 87410

DISTRICT IV P.O. BOX 2008, SANTA PE, N.M. 87504-2080

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fc, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Poel Code	Pool Name		
Property Code	• • • • • • • • • • • • • • • • • • • •	operty Name Well Number SH UNIT 53		
OGRID No. 015363		ator Name DIL & GAS INC.	Elevation 2986'	

Surface Location

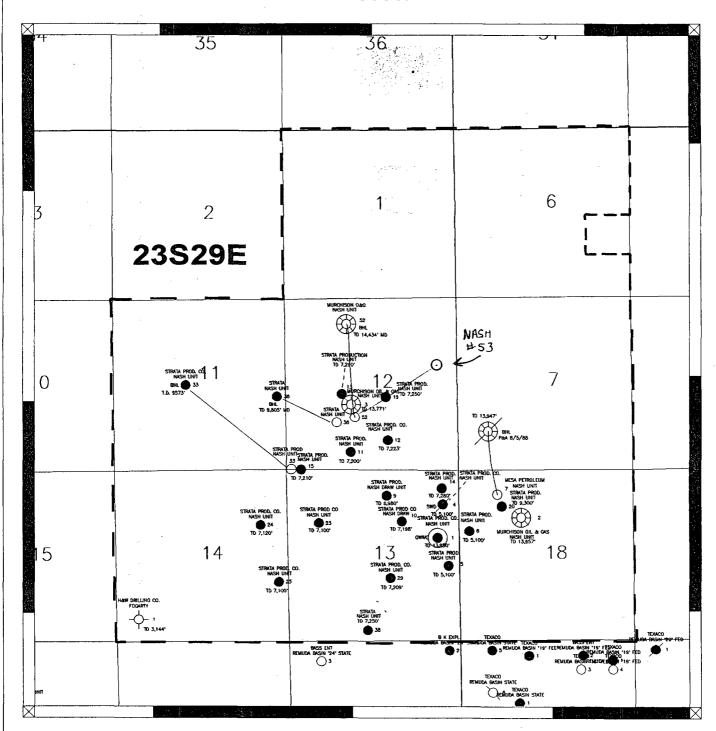
Ţ	UL or lot No.	Section	Township	Range	lot Idn	Feel from the	North/South line	Feet from the	East/West line	County
	K	12	23-S	29-E		1663'	SOUTH	2185'	WEST	EDDY
•	·		\	<u> </u>			·	<i>ــــــــــــــــــــــــــــــــــــ</i>	·	

Bottom Hole Location If Different From Surface

1	UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	Enst/West line	County
	H	12	23 - S	29-E		1980'	NORTH	660'	EAST	EDDY
	Dedicated Acre	B Joint o	r Infill C	Consolidation (Code Or	der 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

	0	1980	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and beltef. Signature MICHAEL S. DAUGHERTY
	3617 FAV	BHC	Printed Name VICE PRESIDENT OPERATIONS Title C/21/OZ Date SURVEYOR CERTIFICATION
2185'-	SURFACE LOCATION 2934'	DISPLACEMENT	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 supervison and that the same is true and correct to the best of my belief.
	30	93 FEC	MAY 28, 2002 Date Surveyschming LA Signature & ShaFey La Professional Surveyor La MEX O2.11.03945 Ceptingate No. RONALD Fribson 3230 CARY FIDSON 12641



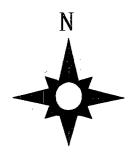
32.30

NASH UNIT OUTLINE



PARTICIPATING AREA

Scale 1:36000.



1000.	Ο.	1000. 2000	D. 3000. 4000. 5000. feet
	c	0.1 0. 0.1 0.2	0.3 0.4 0.5 miles

MURC	CHISON OIL & GAS	S, INC.
	NASH UNIT EDDY CO., NM UNIT OUTLINE	
DIANA HUNTINGTON		3/19/2003
	Scale 1:36000.	

FAX COVER SHEET

DATE:

DECEMBER 4, 2003

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME:

* MR. MICHAEL STOGNER CHIEF HEARING EXAMINER

COMPANY:

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

FAX NUMBER:

* (505) 476-3462

FROM:

NAME:

MIKE DAUGHERTY

COMPANY:

MURCHISON OIL & GAS, INC.

1100 MIRA VISTA BLVD. PLANO, TEXAS 75093-4698

FAX: 972/931-0701

WE ARE TRANSMITTING 6 PAGES

(Including this cover sheet)

IF TRANSMISSION IS NOT COMPLETE.

PLEASE CALL CARLA TRACY at 972/931-0700

REMARKS:

NASH UNIT #53 -

REQUEST FOR ADMINISTRATIVE APPROVAL OF A NON-

STANDARD LOCATION

MSD/OCD-SANTAFE.FAX



J.D. MURCHISON INTERESTS, INC.

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

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

Dear Mr. Stogner;

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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

1100 MIRA VISTA BLVD., PLANO, TX 75093-4698 PHONE (972) 931-0700 FAX (972) 931-0701



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinat Socretary

Lori Wrotenbery

Oil Conservation Division

December 2, 2003

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

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Yours truly,

Bryan G. Arrant PES

Cc:

Michael Stogner, Chief Hearing Examiner-Santa Fe

Tim Gum, District Supervisor-Artesia

OPERATOR'S COPY

FORM APPROVED OMB No. 1004-0136 Expires January 31, 2004 Form 3160-3 (September 2001) UNITED STATES NM 14140 BHL 5. Lease Serial No. DEPARTMENT OF THE INTERIOR NM 0556859-A SHL BUREAU OF LAND MANAGEMENT G. If Indian, Allottee or Tribe Name APPLICATION FOR PERMIT TO DRILL OR REENTER 7. If Unit or CA Agreement, Name and No. la. Type of Work: | DRILL REUNTER NASH UNIT #. Leazo Name and Well No. Oil Well Gas Well Other NASH UNIT #53 Single Zane Multiple Zone 2. API Well No. 2. Name of Operator MURCHISON OIL & GAS, INC. 3b. Phone No. (include area code) 10. Field and Pool, or Exploratory 3a. Address (972) 931-0700 NASH DRAW 1100 MIRAYISTABLVD., PLANO, TX. 75093-4698 11. Sec., T., R., M., or Dik, and Survey or Area 4. Location of Well Report location elegely and in accordance with any State requirements, *) At surface 1663' FSL & 2185' FWL R-111-P Potesto At proposed prod. zone 1980' FNL & 680' FEL UNIT H SEC. 12, T235, R29E 13. State 12. County or Parish 14. Distance in miles and direction from nearest town or post office. NM. 17 MILES SOUTHEAST OF CARLSBAD EDDY 15. Distance from proposed 17, Spacing Unit dedicated to this well IG. No. of Acres in lease location to neares reporty or lease line. A (Also to nearest drig, unit line, if any) 320 N/2 GGO' BHL 320 18. Distance from proposed location"
to nearest well, drilling, completed,
applied for, on this lesse, ft. 20, BLM/BIA Dond No. on file 19. Proposed Depth ROTARY 14000 TVD 2965' BHL 23. Estimated duration 22. Approximate date work will start 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 70 DAYS 9/1/02 2986' GL 24. Attachments Carlsbad Controlled Weter Basin The following, completed in accordance with the requirements of Onshore Oil and Gaz Order No.1, shall be attached to this form: 4. Bond to cover the operations unless covered by an existing bond on file (see 1. Well plat cortified by a registered surveyor. liem 20 above). 2. A Drilling Plan. 5. Operator certification. 3. A Surface Use Plan (If the location is on National Forest System Lands, the 6. Such other site specific information and/or plans as may be required by the SUPO shall be filed with the appropriate Forest Service Office). authorized officer, Date 25. Signature Name (Printed/Typed) MICHAEL S, DAUGHERTY Title VICE PRESIDENT OF RATIONS Name (Printed/Typed) 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 least which would entitle the applicant to conduct onerations thereon.

APPROVAL FOR 1 YEAR Conditions of approval, if any, are attached. 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 Islae, fielitious or fraudulent statements or representations as to any matter within its jurisdiction.

"(Justructions on reverse)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED.

State of New Mexico

Energy, Mustrale and Ruthrell Resources Department

Form C-102 Revised Pebruary 10, 1004 Submit to Appropriate District Office State Lesse - 4 Copies Fee Lesse - 3 Copies

DISTRICT II.

P.O. Drawer DB, Artesia, NM ES211-0718

DISTRICT III 1000 Nio Brazos Rd., Azles, NM 87410

DISTRICT IV P.O. BOX ROBE, GANTA FR. N.M. 67604-2068

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fc, New Mexico 87504-2008

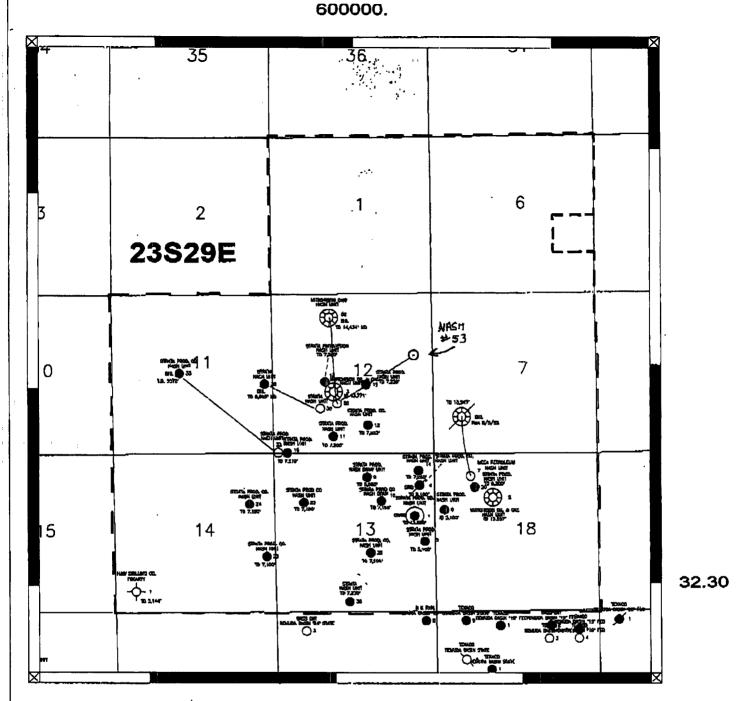
D AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

	i	Pool Code			Pool Name				Pool Name			
Property Code Property Name NASH UNIT							Yell Number 53					
3	MURCHISON OIL & GAS INC.						Elevation 2986'					
				Surface Loca	ition							
Section 12	Township 23-S	RADEE 29-E	Lat Idn	real from the 1663'	North/South line SOUTH	Feet from the 2185'	Engly West line WEST	County				
		Dottom	Hole Loc	ation If Diffe	rent From Sur	face	·	4				
Gouleaz	Termahip	Range	Lat Ida	Feel from the	North/South line	Feel from the	Enat/West line	County				
12	23-5	29-E		1980'	NORTH	660'	EAST	EDDY				
Joint	r latill Co	Boi philosa	ade Gr	ler Ng.								
	Section 12	Section Township 12 23-S Section Township 12 23-S	Section Township Range 12 23-S 29-E Bottom Section Township Range 12 23-S 29-E	MURCHI Section Township Range Lot Idn 12 23-S 29-E Bottom Hole Loc Section Township Range Lat Idn 12 23-S 29-E	NASH UNI Operator Name MURCHISON OIL & Surface Local Section Township Range Let Idn Feat from the 12 23-S 29-E 1663' Bottom Hole Location If Diffe Section Township Range Lat Idn Feat from the 12 23-S 29-E 1980'	NASH UNIT Operator Name MURCHISON OIL & GAS INC. Surface Location Section Township Range Lot Idn Feat from the North/South line 12 23-S 29-E 1663' SOUTH Bottom Hole Location If Different From Surfacetion Township Range Lat Idn Feat from the North/South Ifna 12 23-S 29-E 1980' NORTH	NASH UNIT Operator Name MURCHISON OIL & GAS INC. Surface Location Section Township Range Lat idn Fast from the North/South line Feet from the 12 23-S 29-E 1663' SOUTH 2185' Bottom Hole Location If Different From Surface Section Township Range Lat idn Feet from the North/South line Fact from the 12 23-S 29-E 1980' NORTH 660'	NASH UNIT Operator Name MURCHISON OIL & GAS INC. Surface Location Section Township Range Lat Idn Fast from the North/South line Feet from the East/Nest line 12 23-S 29-E 1663' SOUTH 2185' WEST Bottom Hole Location If Different From Surface Section Township Range Lat Idn Fast from the North/South line Fast from the East/Nest line 12 23-S 29-E 1980' NORTH 660' EAST				

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED

	OR A NON-STANDARD UNIT MAS HE		
	○ 	1980	OPERATOR CERTIFICATION I hereby certify the the information contained herein to true and complete to the best of my insuladge and hellef. MICHAEL S. DAUGHERTY
	SPACING NUIT	BHL OC CES	Printed Name VICE PRESIDENT OPERATIONS Title G/21 JOZ Date SURVEYOR CERTIFICATION
2185'-	SURFACE LOCATION)	DISPLACEMENT	I hereby cartify that the well location shown on this plat was plotted from field noise of actual surveys made by the or under my supervisor, and that the same is true and surrect to the base of my bellef. MAY 28, 2002 Date Surveystaming the same to the Signature of Shaffy the same to the same to the same to the base of my bellef.
	1 1663		Property of Shaffy Manual 129/02 ME O2.17.0354 Centagata Na. RONALD FIDSON 3230 CAN TOP SOLUTION 12841



NASH UNIT OUTLINE



PARTICIPATING AREA



Scale 1:36000.

0.1 0. 0.1 0.2 0.3 0.4 0.5 mfles

MURCHISON OIL & GAS, INC.					
	NASH UNIT EDDY CO., NIM UNIT OUTLINE				
EDAMA HUNITURE TON		2410000			
	20th 1 2000				

**************************************	TRANSACTION REPORT			P. 01 THU 03:10 PM
FOR:				
RECEIVE				
DATE START SENDER	RX TIME PA	GES TYPE	NOTE	M# DP
DEC-04 03:09 PM 9729310701	1′ 03″	6 RECEIVE	OK	