

DATE # 12/6/00	SURPRISE 12/26/00	ENGINEER MS	LOGGED MW	TYPE NSL
----------------	-------------------	-------------	-----------	----------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

34632363

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]

00 DEC -6 AM 4:20

CE COMPLETION DM

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [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

[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] 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 understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

WILLIAM F. CARR
Print or Type Name

William F. Carr
Signature

ATTORNEY
Title

12.06.00
Date

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
ROBERT J. SUTPHIN, JR.

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: law@westofpecos.com

December 6, 2000

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Read & Stevens, Inc. for Administrative Approval of an Unorthodox Well Location for its Liberty 4 Federal Com Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico.*

Dear Ms. Wrotenbery:

Read & Stevens, Inc., pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1999, hereby seeks administrative approval of an unorthodox well location for its Liberty 4 Federal Com Well No. 1 to be drilled as a wildcat well to a depth of approximately 13,600 feet to test the Ellenberger and Devonian formations at an unorthodox well location 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico. A standard 320-acre spacing and proration unit comprised of the W/2 Section 4 will be dedicated to the well.

This location in the Devonian and Ellenberger formations is unorthodox because Rule 104.C.(2) of the General Rules of the Oil Conservation Division provide for wells on 320-spacing and proration units to be located no closer than 660 feet to any governmental quarter section line. The proposed location is unorthodox because it is 330 feet too close to the West line of the dedicated acreage.

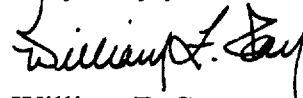
Lori Wrotenbery, Director
Oil Conservation Division
December 6, 2000
Page Two

This unorthodox location is required by geological conditions in the Devonian formation. The location was selected based on a 3D seismic survey. Attached as Exhibit A to this application is a Devonian Time Structure Map of the subject area which shows the proposed unorthodox location and the nearest standard well location. This map demonstrates that moving to the proposed unorthodox location results in a substantial gain in reservoir quality rock. Furthermore, drilling at a location 660 feet from the quarter section line would place the well near a high angle compressional fault and would place the well in a much thinner portion of the sand where the chances of drilling a successful well would be greatly reduced. Accordingly the proposed location is the best location for a commercial Devonian and/or Ellenberger well in the W/2 of Section 4.

Also attached as Exhibit B, is a plat as required by Rule 104.F (3) showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units. Although Read & Stevens, Inc. is the designated operator of all the immediately adjoining and diagonal spacing units in the Devonian and Ellenberger formations toward which the unorthodox well location encroaches, the mineral owners are different under these tracts. Exhibit C lists these interest owners. A copy of this application, including a copy of the plat described above has been sent to these persons by certified mail-return receipt requested in accordance with Rule 1207 (A)(5) advising them that if they have an objection to this application it must be filed in writing within twenty days from the date this notice was sent.

Your attention to this application is appreciated.

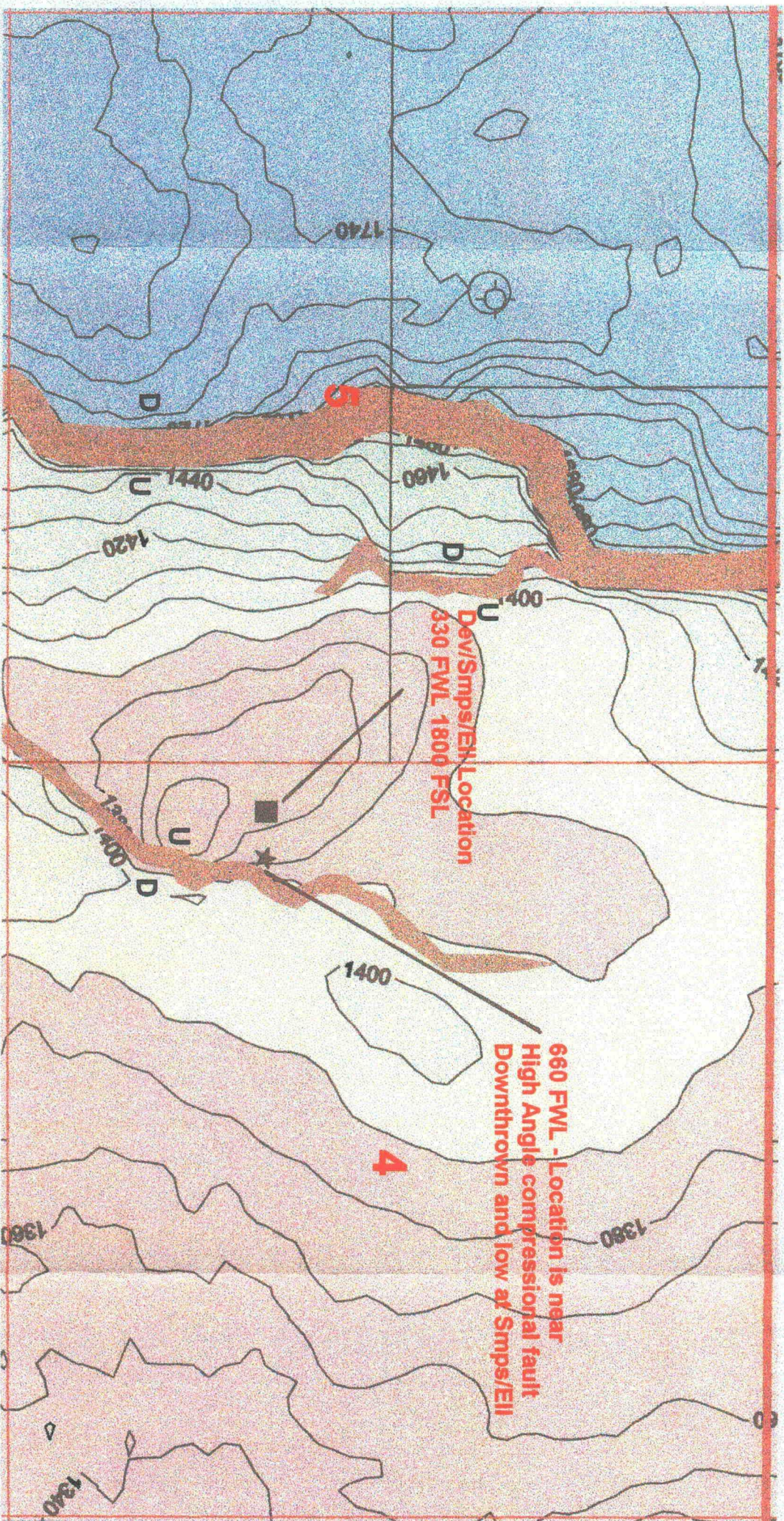
Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr
Attorney for Read & Stevens, Inc.

Enclosures

cc: Robert H. Watson,
Read & Stevens, Inc.
Post Office Box 1518
Roswell, New Mexico 88202

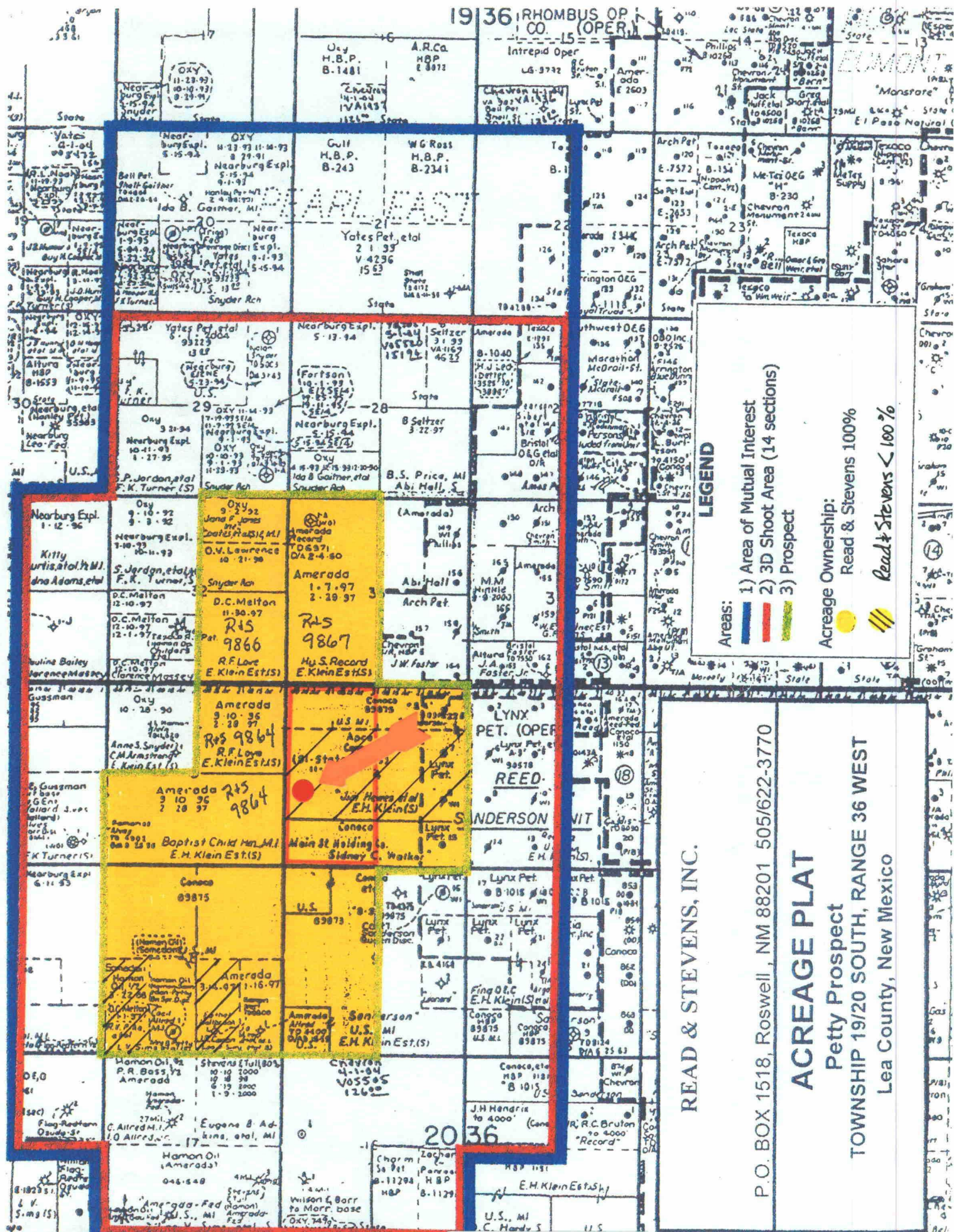


Prepared by: David M. Mitchell, CPG

Proposed Location:

X: 797788
Y: 583251

Near Devonian Time Structure
Petty 3D - Prestack Migration
CI: 10 ms Nov. 2000



**OFFSET OPERATORS, LEASEHOLD AND MINERAL OWNERS TO UNORTHODOX
LOCATION OF THE LIBERTY 4 FED. COM. NO. 1 WELL LOCATED 330' FWL & 1800
FSL OF SECTION 4, T20S-R36E, LEA COUNTY, NEW MEXICO**

TRACT I

W/2 SEC., 33, SE/4 SEC. 32, T19S-R36E

E /2 SEC. 5, T20S-R36E, LEA COUNTY, NM

OPERATOR AND LEASEHOLD W.I. OWNERS:

- 1) READ & STEVENS, INC. (Operator)
- 2) Louis Dreyfus Natural Gas Corporation
14000 Quail Springs Parkway – Suite 6
Oklahoma City, OK 73134
Attn: Mr. Joe Hammond
- 3) Chase Oil Corporation
P.O. Box 1767
Artesia, NM 88211
Attn: Mr. Ron Lanning
- 4) Mack C. Chase, Trustee of the Mack C. and Marilyn Y. Chase Trust
P.O. Box 693
Artesia, NM 88211
- 5) Rebecca S. Ericson, Attorney-in-Fact for Gerene Dianne Chase Crouch
P.O. Box 693
Artesia, NM 88211
- 6) Robert C. Chase
- 7) Richard L. Chase
P.O. Box 359
Artesia, NM 88211

LEASED MINERAL OWNERS:

- 1) New Mexico Baptist Foundation, Trustee fbo New Mexico
Baptist Children's Home, Inc.
P.O. Box 485
Albuquerque, NM 87103
- 2) Alta Faye Klein
P.O. Box 1503
Hobbs, NM 88240
- 3) George Linam Klein
P.O. Box 1503
Hobbs, NM 88202
- 4) Harry Scott Klein
1313 Page
Hobbs, NM 88240

TRACT 2

N/2 SEC. 8 AND W/2 SEC. 9, T20S-R36E, LEA COUNTY, NM

*OPERATOR & LEASEHOLD W.I. OWNERS:

- 1) READ & STEVENS, INC. (Operator)
- 2) Louis Dreyfus Natural Gas Corporation
- 3) Chase Oil Corporation
- 4) Mack C. Chase, Trustee of the Mack C. and Marilyn Y. Chase Trust
- 5) Rebecca S. Ericson, Attorney-in-Fact for Gerene Dianne Chase Crouch
- 6) Robert C. Chase
- 7) Richard L. Chase

*These owners were conveyed leasehold interests by Term Assignments from the following original Lessees:

- 1) Conoco, Inc.
10 Desta Drive – Suite 100 W
Midland, TX 79705
Attn: Mr. Charles Rule
- 2) Chevron U.S.A. Production Company
P.O. Box 36366
Houston, TX 77236
Attn: Mr. James Baca, Project Landman
- 3) Apache Corporation
2000 Post Oak Blvd. – Suite 100
Houston, TX 77056-4400
Attn: Mr. Tim Custer, Sr. Landman
- 4) Atlantic Richfield Company
C/o BP, Inc.
200 Westlake Park Blvd.
Room 241 A
Houston, TX 77079
Attn: Mr. Lee Scarborough

LEASED MINERAL OWNERS:

United States of America
Bureau of Land Management
P.O. Box 27115
Santa Fe, NM 87502-0115
Serial Nos. NM-89875; NM-89873

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
ROBERT J. SUTPHIN, JR.

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: law@westofpecos.com

December 6, 2000

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: *Application of Read & Stevens, Inc. for administrative approval of an unorthodox well location for its Liberty 4 Federal Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico.*

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the Oil Conservation Division on this date by Read & Stevens, Inc. for administrative approval of an unorthodox well location for its proposed Liberty 4 Federal Well No. 1, to be located 1800 feet from the South line and 330 feet from the West line of Section 4, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico. The W/2 of Section 4 is to be dedicated to the well.

As the owner of an interest which may be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent to you. If no objection is received within

TO: AFFECTED INTEREST OWNERS

December 6, 2000

Page Two

twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and a stylized "C".

William F. Carr

Enclosure

cc: Mr. Robert H. Watson
Read & Stevens, Inc.
Post Office Box 1518
Roswell, New Mexico 88202

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

12/14/00 15:18:47
OGOMES -TPWM
PAGE NO: 1

Sec : 04 Twp : 20S Rng : 36E Section Type : NORMAL

4 40.14 Federal owned	3 40.15 Federal owned	2 40.15 Federal owned	1 40.16 Federal owned
E 40.00 Fee owned	F 40.00 Fee owned	G 40.00 Fee owned	H 40.00 Fee owned

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12

28

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

12/14/00 15:18:51
OGOMES -TPWM
PAGE NO: 2

Sec : 04 Twp : 20S Rng : 36E Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Fee owned	Fee owned	Fee owned	Fee owned
			A
M 40.00	N 40.00	O 40.00	P 40.00
Fee owned	Fee owned	Fee owned	Fee owned
			A

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12