

DATE IN 1/4/02	2/3/02	ENGINEER MS	LOGGED IN RW	TYPE NSL	APP NO. 201555440
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



Case 12817

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

- [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

KELLAHIN & KELLAHIN

Attorneys At Law

P.O. Box 2265

Santa Fe, N.M. 87504-2265

Signature

Attorney
Title

Date

1/14/02

t.kellahin@worldnet.att.net

e-mail Address

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

January 14, 2002

Hand Delivered

New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
Attn: Michael E. Stogner

Re: Administrative Application of
TMBR/Sharp Drilling Inc. for an
unorthodox oil well location
TMBR "10" State Well No. 1
2630 feet FSL and 713 feet FWL
Section 10, T14S, R34E
Lea County, NM

30-025-35104

Case 12817
no record that
NSL/NSP were ever
requested

Dear Mr. Stogner:

This administrative application is being filed on behalf of TMBR/Sharp Drilling, Inc. and seeks approval of an unorthodox oil well location for its TMBR "10" State Well No. 1 for production from the Wolfcamp formation from a 40-acre spacing unit consisting of the NW/4SW/4 (Unit L) of Section 10, T14S, R34E, Lea County, New Mexico, and in support states:

Background

(1) In July, 2000, the OCD-Hobbs, approved TMBR/Sharp's APD to drill the referenced well as a East Saunders Permo-Pennsylvanian Pool well with the notation that it could not be produced until TMBR/Sharp obtained OCD-Santa Fe's approval for the unorthodox well location ("NSL") and approval of a non-standard proration unit ("NSP").

(2) The East Saunders Permo-Penn Pool Rules require wells to be located within 150 feet of the center of the NE/4 or SW/4 of a standard governmental quarter section and to be dedicated to a standard 160-spacing unit consisting of a single governmental quarter section.

(3) However, TMBR/Sharp has completed the well in the Wolfcamp formation. The well is shut in awaiting action on this application

OCD Requirement

(4) There appears to be no Wolfcamp pool within one mile. Therefore statewide rules apply for the Wolfcamp.

(5) OCD Rule 104 requires TMBR/Sharp to dedicate a 40-acre oil spacing unit for the well which should be 330 feet from the side boundaries. The well which is only 10 feet of the north boundary instead to 330 feet.

Documentation Submitted:

Exhibit 1: Area locator map

Exhibit 2: Approved APD for East Saunders Permo-Penn Pool and attached C-102

Exhibit 3: Wolfcamp completion report.

Exhibit 4: Wolfcamp geologic support include narrative and time structure map for unorthodox Wolfcamp location

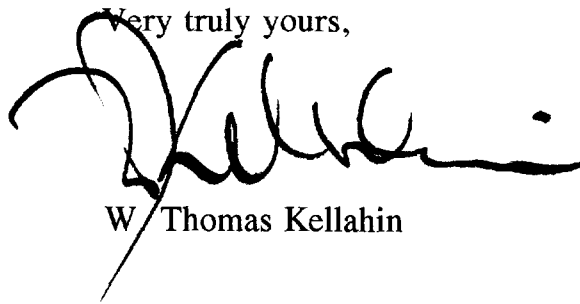
Exhibit 5: Tabulation of ownership for Section 10 showing common ownership for entire section

Oil Conservation Division
January 14, 2002
-Page 3-

notification of application

No notice of this application was sent because the encroachment is towards Unit E of Section 10 which has the same ownership as the well's spacing unit (Unit L)

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W/ Thomas Kellahin

cc: TMBR/Sharp Drilling, Inc.
Attn: Lonnie Arnold

MBRE

16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50 52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100

Yates Pet. et al

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DE-99.

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172 22

States Inc.

2002

Yates Pot et al

509

TMBR/Sharp, T74

Shen

SAM ROSEN

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6 97

EXHIBIT
1

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Oil, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

* Operator Name and Address: TMBR/Sharp Drilling, Inc. P. O. Drawer 10970 Midland, TX 79702		* OGRIN Number 036554
		* APT Number 30-025-36004
* Property Code 26356	* Property Name TMBR State "10" STATE	* Well No. 1

* Surface Location

UT. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
L	10	14S	34E		2630	South	713	West	Lea

* Proposed Bottom Hole Location If Different From Surface

UT. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
* Proposed Pool 1 Bough "C" SAUNDERS PERMO PENN, EAST					* Proposed Pool 2				

* Work Type Code N	* Well Type Code O	* Cable/Rotary R	* Lease Type Code S	* Ground Level Elevation 4123
* Multiple No	* Proposed Depth 11,500	* Formation Bough "C"	* Contractor TMBR/Sharp	* Spud Date 7/22/00

* Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48	400	385 sx	Surface
11"	8 1/2"	32	4,500	1235 sx	Surface
7 1/2"	5 1/2"	17	11,500	500 sx	9,000

* Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

It is proposed to drill a 17 1/2" hole to $\pm 400'$ with FW, set 13 3/8" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to $\pm 4,500'$ w/brine-cut brine system and an 8 1/2" casing string will be set and cemented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate hole. A 7 1/2" hole will be drilled to an approximate TD of 11,500' w/FW mud. The 5 1/2" casing will be set at TD and cemented back to the intermediate casing @ 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the 7 1/2" hole. Mud up will occur between 9,000' and 11,000' and several DST's are planned.

* I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Printed name: **Jeffrey D. Phillips**

Title: **Vice President**

Date: **July 20, 2000**

Phone: **(512) 699-5050**

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

Permit Expires 1 Year from Date
Date Unless Drilling Underway

C-101 Instructions

Measurements and dimensions are to be in feet/inches. Well locations will refer to the New Mexico Principles

EXHIBIT

2

DISTRICT I
P.O. Box 1080, Hobbs, NM 88241-1080

DISTRICT II
P.O. Drawer 80, Lordsburg, NM 88011-0719

DISTRICT III
1000 N. Main Street, Lordsburg, NM 88011-0719

DISTRICT IV
P.O. Box 8088, Santa Fe, N.M. 87504-8088

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

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-36004	Pool Code 54960	Well Name SAUNDERS PERMO PENN, EAST Bough "C"
Property Code 26356	Property Name TMRR STATE 10 STATE	Well Number 1
OGRIID No. 036554	Operator Name TMRR/SHARP DRILLING, INC.	Elevation 4123

Surface Location

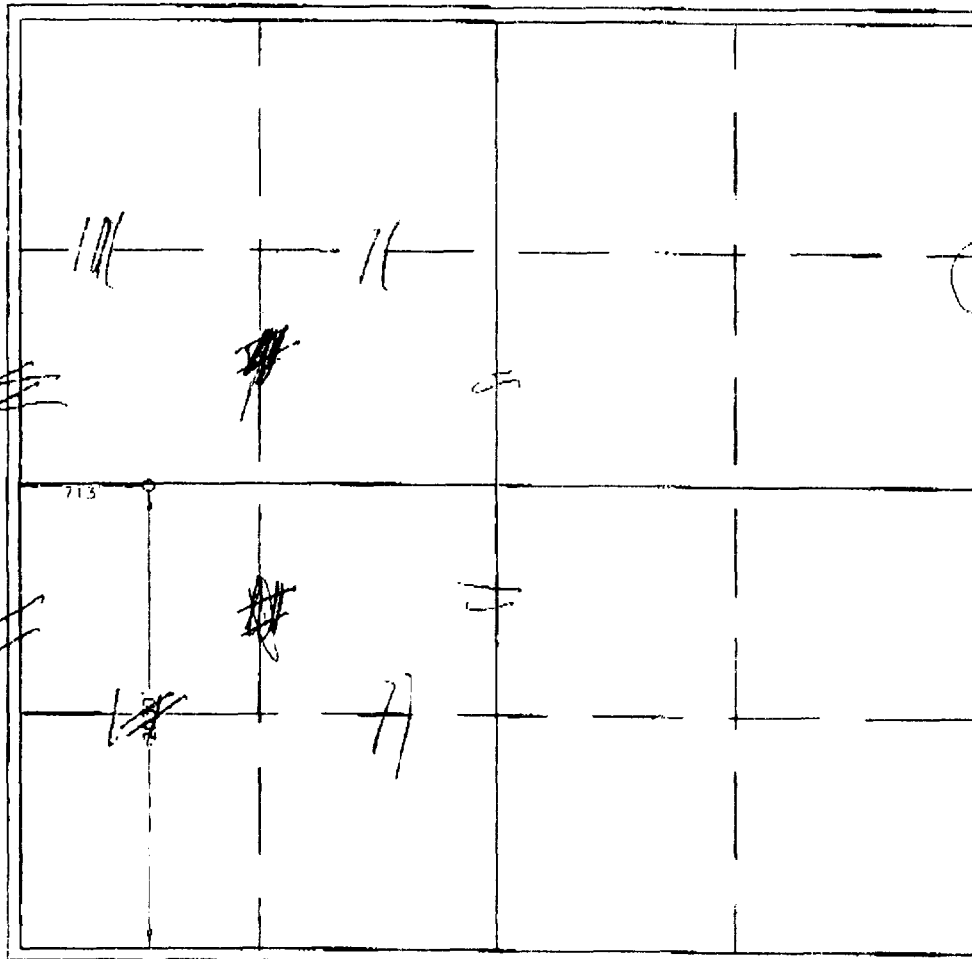
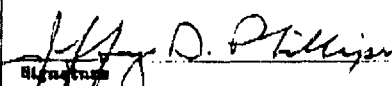
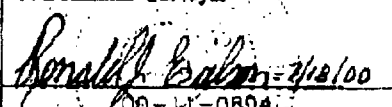
UL or Int No. 1	Section 10	Township 14 S	Range 34 E	Lot Idn	Feet from the 2630	North/South line SOUTH	Feet from the 713	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or Int No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 80 160	Joint or Infill	Consolidation Code	Order No.
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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

	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Jeffrey D. Phillips Printed Name Vice President Title July 20, 2000 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. JULY 17, 2000 Date Surveyed  Signature & Seal of Professional Surveyor RONALD E. EASON 00-11-0804
	Certificate No. RONALD E. EASON 0200 GARY EASON 12041 MACON McDONALD 12185

Submit To: Appropriate District Office
State Lease - 6 copies
Fee Lease - 5 copies
District I
1635 N. French Dr., Hobbs, NM 88240
District II
511 South First, Artesia, NM 88210
District III
1000 Elm Grazer Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Encl. of Minerals and Natural Resources

Form C-105
Revised March 25, 1999

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

WELL API NO.
30-025-35104

5. Indicate Type of Lease
STATE ☒ FEE ☐
State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well:
OIL WELL ☒ GAS WELL ☐ DRY ☐ OTHER ☐
b. Type of Completion:
NEW ☒ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF. RESVR. ☐ OTHER ☐

2. Name of Operator
TMBR/Sharp Drilling, Inc.

3. Address of Operator
P. O. Drawer 10970, Midland, TX 79702

7. Lease Name or Unit Agreement Name
TMBR "10" State
8. Well No.
1
9. Pool name or Wildcat
Wolfcamp

4. Well Location
Unit Letter L 2630 Feet From The South Line and 713 Feet From The West Line
Section 10 Township 14S Range 34E NMPM Lea County

10. Date Spudded 7/22/00	11. Date T.D. Reached 8/24/00	12. Date Compl. (Ready to Prod.) 8/4/01	13. Elevations (DJF& RKB, RT, GR, etc.) 4123 GR	14. Elev. Casinghead 4123
15. Total Depth 11,265	16. Plug Back T.D. 10,765	17. If Multiple Compl. How Many Zones?	18. Intervals Drilled By Rotary Tools 0-11,265'	Cable Tools
19. Producing Interval(s), of this completion - Top, Bottom, Name 10,019-10,028 Wolfcamp				20. Was Directional Survey Made Yes
21. Type Electric and Other Logs Run CNL/Density-DIL-Sonic				22. Was Well Cured No

23. CASING RECORD (Report all strings set in well)					
CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8	48	481	17 1/2	395 sx "C"	0
8 5/8	32	4450	11	1470 sx Econ Lite + 200 sx "C"	0
5 1/2	17	11,245	7 7/8	400 sx "C"	0

24. LINER RECORD				25. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET
					2 7/8	10,080

26. Perforation record (interval, size, and number)		27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.	
10,010-10,028, 0.44", 73 holes		DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
		10,850-10,860	CIBP set @ 10,847'
		10,832-10,842	A/ 1000 gal 15% NEFE. Squeeze w/150 sx "H"
		(See attachment)	

28. PRODUCTION							
Date First Production 8/4/01		Production Method (Flowing, gas lift, pumping - Size and type pump) Pumping 2" x 1 1/4" X 22' RHBC			Well Status (Prod. or Shut-in) Prod		
Date of Test 10/1/01	Hours Tested 24	Choke Size --	Prod'n For Test Period	Oil - Bbl 10	Gas - MCF TSTM	Water - Bbl 2	Gas - Oil Ratio 35.6
Flow Tubing Press. --	Casing Pressure 30	Calculated 24-Hour Rate	Oil - Bbl 10	Gas - MCF TSTM	Water - Bbl 2	Oil Gravity - API - (Corr.) 35.6	

29. Disposition of Gas (Sold, used for fire, vented, etc.)
Vented

Test Witnessed By
Roy Millsap

30. List Attachments

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature L. H. Arnold Printed Name Lonnie Arnold Title Production Manager Date 10/4/01

EXHIBIT

3

High Plains 3-D, Lea Co., NM

T10-1 Bough "C" Anomaly

W/2 Sec. 10 – 14S – 34E

Introduction

An anomalous thickening of the Bough "C" interval and draping of the overlying Saunders and Bough "B" has been identified as a significant opportunity. This summary details specifics of the geophysical analysis and its integration with the geologic framework of this highly productive area.

G&G

During the late Pennsylvanian, shallow, warm seas regularly inundated the Tatum Basin. The oscillating sea level changes prompted the proliferation of algal mounds and the subsequent sub-aerial exposure promoted leaching of the algal plates, resulting in porous and permeable reservoir. Highly carbonaceous material was deposited in both inter-mound limy mudstones and overlying shales, providing effective source and seal for the algal mound traps.

The T10-1 anomaly is a significant algal mound complex, as the accompanying exhibits show. The Bough "C" Time Structure Map illustrates the regional dip to the E-NE with a shelf-edge margin in the W/2 of Sec. 10, as evidenced by the close contours (1.406-1.412 s.). The abrupt change in the margin's orientation (N-S to E-W) is primarily attributable to the perseverance of algal mound development during the Bough "C". The NE-SW Arcline across the margin shows many of the critical criteria of productive algal mound complexes:

- dramatic, four-way thickening of the Bough "C"- "D" interval,
- amplitude diminishment on "C" horizon,
- thinning of overlying Saunders-"C" interval, and
- draping of Saunders and Bough "B" (result of differential compaction).

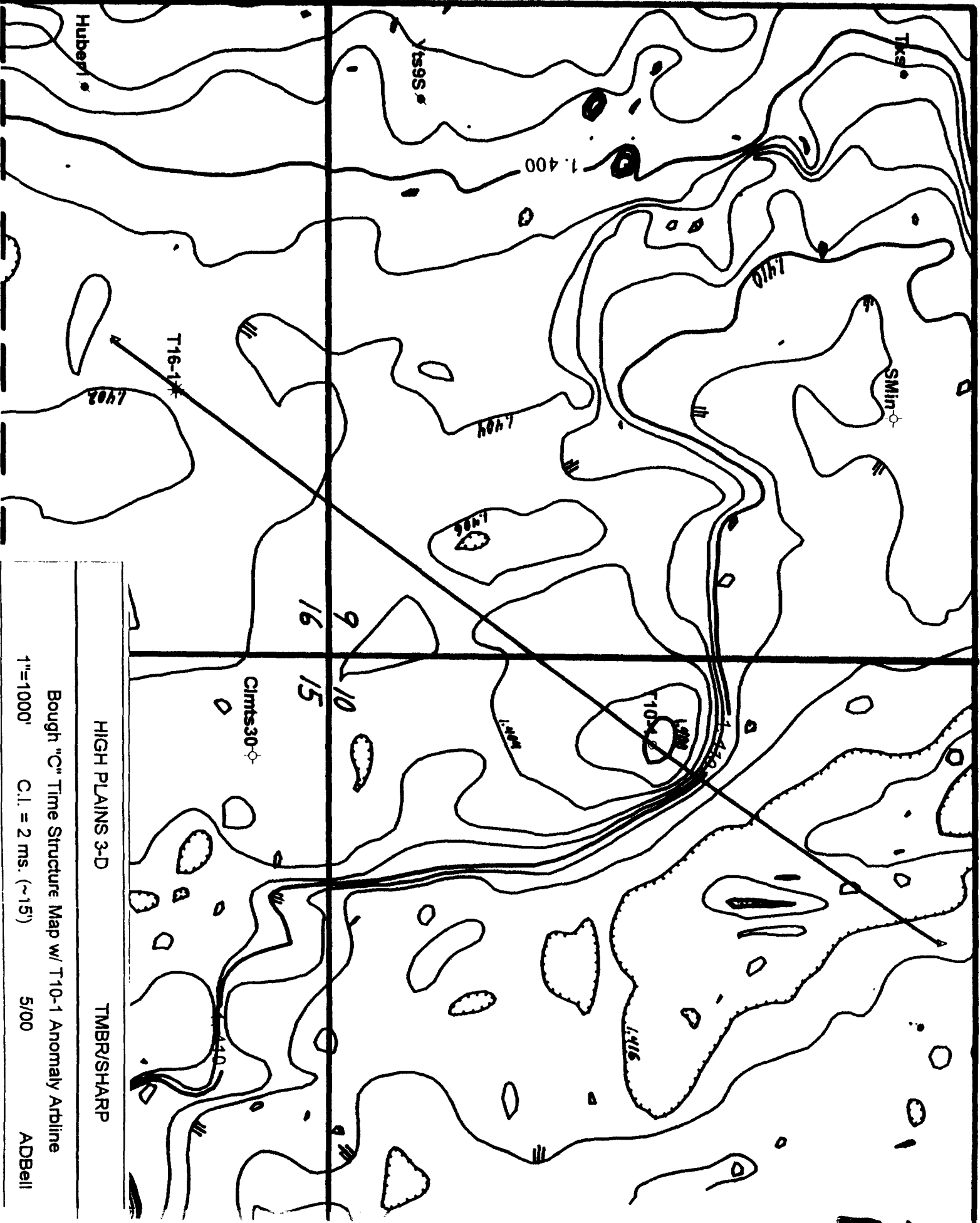
The core of the algal mound complex has a "primary" closure of 35-40' over approx. 42 acres; in consideration of the probable inter-fingering around the core into the tighter facies, the "possible" closure is 40-50' over approx. 97 acres.

Good calibration of the well control to the seismic resulted from the synthetic and velocity survey tie of the TMBR State "16" #1. The Bough "C" trough is a prominent reflector over most of the 3-D survey; the Bough "D" and Saunders are both low amplitude peaks with reasonable lateral persistence. Very good ties with the overlying Tubb and underlying Atoka, Mississippian and Devonian reflection series further enhanced confidence in the interpretation of the 3-D.

Therefore I recommend the drilling of an approx. 11,100' well to the Bough "D" to thoroughly test this upper Penn interval of multiple pays and prolific production.



Andrew D. Bell
Oil & Gas Explorationist



HIGH PLAINS 3-D

TMBR/SHARP

Bough "C" Time Structure Map w/ T10-1 Anomaly Airline

1"=1000' C.I. = 2 ms. (~15)

5/00

ADBell

**TMBR/Sharp – State “10” #1
Lea County, New Mexico**

Lease Information

Lease Date: July 1, 1998
Expiration Date: July 1, 2003
Recorded: Book 899, Page 443, Lea County Records
Lessor: State of New Mexico VO-5336
Lessee: Joe D. Gilmer
Record Owner: Santa Fe Natural Resources, Inc.
Land Covered: Township 14 South, Range 34 East, N.M.P.M.
Section 10: All
Lea County, New Mexico

Ownership of Production

Royalty Owner(s)	Net Revenue Interest
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State of New Mexico	.1666667
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Totals:	.1666667
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Overriding Royalty Owner(s)	Net Revenue Interest
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Hesperus Minerals, Inc.	.0225000
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Bill Burkett	.0100000
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Patrick J. Whelan	.0100000
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Garland C. Lamb	.0100000
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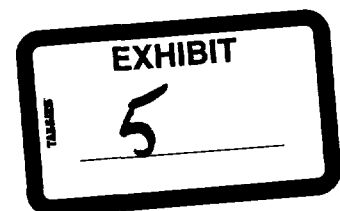
Dennis V. Stowers	.0100000
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Keith D. Stowers	.0100000
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CCW Resources, Inc.	.0058330
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Azucarbaya Mineral Corp.	.0050000
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Totals:	.0833333
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Working Interest Owner(s)	Gross Working Interest (Expense)	Net Working Interest (Net Revenue)
TMBR/Sharp Drilling, Inc.	.3000000	.2250000
States, Inc.	.1425000	.1068751
Jim Zabcik and Ann V. Hoyt	.0400000	.0300000
JMR Development, Inc.	.0600000	.0450000
C. John Zabcik and Elaine Odom Zabcik	.0200000	.0150000
Ralph G. Odom, Trustee of The Ralph G. and Helene A. Odom Family Trust	.0825000	.0618750
Michael Odom	.0200000	.0150000
David H. Essex	.0450000	.0337500
Pevehouse, Inc.	.0525000	.0393750
Garland C. Lamb	.0050000	.0037500
Janice Kay King	.0100000	.0075000
Jack B. Wilkinson, Jr.	.0300000	.0225000
Fagadau Energy Corporation	.0400000	.0300000
Jasper Resources, Inc.	.0075000	.0056250
Chariot Royalty, Inc.	.0075000	.0056250
Jackal Oil Company	.0200000	.0150000
Dusty Sanderson	.0041667	.0031250

Working Interest Owner(s) Continued	Gross Working Interest (Expense)	Net Working Interest (Net Revenue)
SSS-ODS Oil and Gas, Ltd	.0041666	.0031250
C. D. LaSusa	.0041666	.0031250
Cliff W. Keiser	.0025000	.0018750
Mario E. Maldonado	.0025000	.0018750
Michael T. Sullivan	.0312500	.0234375
Santa Fe Natural Resources, Inc.	.0687500	.0515625
Totals:	1.0000000	.7500000