



OCD-ARTESIA 6

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**August 26, 2004**

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

**Chi Energy, Inc.**

c/o **James Bruce**

**P. O. Box 1056**

**Santa Fe, New Mexico 87504-1056**

**RECEIVED**

SEP 01 2004

**OCD-ARTESIA**

**Administrative Order NSL-805-A**

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Chi Energy, Inc. ("Chi") dated August 24, 2004 (*administrative application reference No. pSEM0-423826804*); (ii) your e-mail of Thursday morning, August 26, 2004, requesting this application be expatiate due to lease expiration problems; and (iii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file on Division Administrative Order NSL-805: all concerning Chi's request for an unorthodox gas well location in the Wolfcamp, Strawn, Atoka, and Morrow formations for the Morris R. Antweil Valle Feliz Well No. 1 (API No. 30-015-21980), located 1455 feet from the North line and 2130 feet from the East line (Unit G) of Section 3, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico.

Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 3, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, being a standard 319.76-acre lay-down deep gas spacing unit for the wildcat Wolfcamp formation, Happy Valley-Strawn Gas Pool (78070), Undesignated Happy Valley-Atoka Gas Pool (78055), and Undesignated Happy Valley-Morrow Gas Pool (78060), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

The above-described Valle Feliz Well No. 1 was originally drilled to a total depth of 11,434 feet in the winter of 1976-77 by Morris R. Antweil of Hobbs, New Mexico, to test the Morrow formation for gas at an unorthodox location (approved by Division Administrative Order NSL-805, dated November 22, 1976) within the above-described 319.76-acre unit. According to the Division's records, the well tested dry and was subsequently plugged and abandoned on January 11, 1977.

It is the Division's understanding that Chi intends to re-enter this well to test the shallower Wolfcamp formation at an approximate depth of 8,425 feet. In addition Chi may test the Strawn and Atoka intervals as well as retesting the Morrow formation.

Chi Energy, Inc.

August 26, 2004

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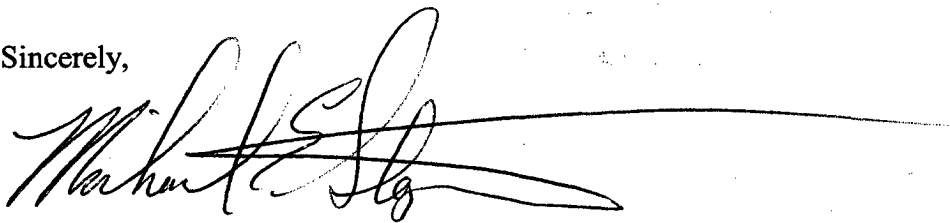
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Division Administrative Order NSL-805-A

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox deep Wolfcamp, Strawn, Atoka, and Morrow gas well location for the existing Valle Feliz Well No. 1 within the N/2 equivalent of Section 3 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner  
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia  
U. S. Bureau of Land Management – Carlsbad  
Chi Energy, Inc. – Midland, Texas [telefax No. (432) 687-2662]