

surface location, and will drill directionally to an orthodox bottomhole location.

Originally, a surface location of 1090 feet FNL and 660 feet FWL was proposed. See APD attached as Exhibit B. However, due to the terrain the location was moved south to a location 1240 feet FNL. See Sundry Notice attached as Exhibit C. Exhibit C also contains a Form C-102 for the well, outlining the W½ unit.

2. Land Information: Attached as Exhibit D is a land plat of the subject area. The only offset lessees to the North, Northwest, and West are Santa Fe Energy Resources, Inc. and Yates Petroleum Corporation, et al. The only offset operator other than applicant is Yates Petroleum Corporation. We have verified that this data is current and correct by an examination of Division well files and Bureau of Land Management lease files.

Production from this reservoir has been established to the Northeast, North, Northwest, West, and Southwest. The following existing Upper Penn wells immediately offset the well unit in those directions:

<u>Operator</u>	<u>Well Location</u>
Santa Fe Energy Resources, Inc.	Unit D \$8
Santa Fe Energy Resources, Inc.	Unit N \$8
Yates Petroleum Corp.	Unit D \$9
Yates Petroleum Corp.	Unit K \$9
Yates Petroleum Corp.	Unit D \$10
Yates Petroleum Corp.	Unit F \$17
Yates Petroleum Corp.	Unit H \$20

Additional wells in the area are shown on Exhibit D. There is no Upper Penn well in Section 16.

3. Directional Drilling: Attached as Exhibit E is a Form C-103 containing a plan and section view of the well. Should you need additional information on this drilling plan, please call applicant's engineer, Darrell Roberts, at (915)686-6614.

A type log of the Upper Penn zone in this area is submitted a Exhibit F.

4. Notice: As noted above, the only offset operator is Yates Petroleum Corporation. A copy of the notice letter mailed (by certified mail) to Yates is submitted as Exhibit G. Applicant has requested a waiver of objection from Yates. If received, the waiver will be submitted to the Division.