	-								OIL	CONS. DIV I	DIST. 3
	District I 1625 N. French D Phone: (575) 35 District II	5161 Fax: (57	5) 393-0720		Energ		of New M ls and Nat	exico tural Reso		AUG <b>2 2</b> 20	
	811 S. First St., A Phone: (575) 748- <u>District III</u> 1000 Rio Brazos I Phone: (505) 334-	1283 Fax: (57: Road, Aztec, N	5) 748-9720 M 87410		-		servation			□A	MENDED REPORT
	District IV 1220 S. St. Franci Phone: (505) 476-	s Dr., Santa Fe 3460 Fax: (50	e, NM 87505 5) 476-3462				Fe, NM 8				A ZONE
	* Prope	rtv Code.	<u></u>	PERMIT 7 Operator Name HPOC, 1 322 N. Railro PO Box : Buena Vista, C	and Address LLC oad Ave. 5046 CO 81211	<sup>3</sup> Property Na rreon Wash 1	ame	2 <b>EF E</b> IN <b>, F</b>		<sup>2</sup> OGRID Numt 246238 <sup>3</sup> API Number 30-031-2100	yer }
l	_313		<u> </u>	1		Surface Lo				L.,	1
	UL - Lot I	Section 36	Township 20N	Range 5W	Lot Idn	Feet fro 2143	3' S	/S Line South	Feet From 1223'	E/W Line East	County McKinley
	UL - Lot I	Section 36	Township 20N	Range 5W	Lot Idn	Feet fro 2119	)' S	/S Line South	Feet From 1225'	E/W Line East	County McKinley
					Po	Pool Inforn ol Name anca Entrada					Pool Code 2285
,				<u>.</u>	Additic		nformation			· · · · · · · · · · · · · · · · · · ·	
		·k Туре Е		<sup>12.</sup> Well Type O		<sup>13.</sup> Cable/Ro R	otary	<sup>14.</sup> L	ease Type S	<sup>15.</sup> Gro	ound Level Elevation 6617'
		ultiple łO		<sup>17.</sup> Proposed Depth 5650'		<sup>18.</sup> Format Entrad			Contractor Il Servicing Co.		<sup>20.</sup> Spud Date pon approval
		to Ground wa rtain, estin		State Er	ngineer's office	from nearest fr shows no ac spot around	tive or inactiv	e POD's in 9-	-	bistance to nearest sur ive surface water	
√ ∖	∕₩e will bo	e using a c	losed-loop	o system in lieu of 21	<sup>1</sup> lined pits <sup>1</sup> Proposed C	asing and	Cement Pro	ogram	[		
	Type	Hol	e Size	Casing Size	Casing V	Veight/ft	Settin	g Depth	Sacks of	Cement	Estimated TOC

1

			Casin	g/Cement Program: A	dditional Comments		0 53001
	J-55	6.25″	4.5″	10.5#	5650'	50 sks	Cmt to top of liner
	J-55	8.75″	7"	23#	5491'	1 <sup>st</sup> stage, 500 sks 2 <sup>nd</sup> stage, 400 sks	1 <sup>st</sup> stage, DV tool 2 <sup>nd</sup> stage, cmt to sfc
	J-55	12.25″	9.625"	36#	353'	248 sks	Cmt to sfc
L	Туре	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC

53001 Penwell Energy previously set & cemented the 9-5/8" and 7" casing strings. HPOC intends to run a 4-1/2" liner with 4-1/2" X 7" liner hanger if open-hole well logs indicate commercial reserves remain in this oil accumulation. See accompanying well-bore diagrams.

## <sup>22</sup> Proposed Blowout Prevention Program

	110posca Diowout 11th	Chubh 110gram	
Туре	Working Pressure	Test Pressure	Manufacturer
Double Ram BOP	3000 psi	3000 psi	Schaffer or similar style

<sup>23.</sup> I hereby certify that the information giv of my knowledge and belief.	-	OIL CONSERVATION DIVISION				
I further certify that I have complied w 19.15.14.9 (B) NMAC , if applicable Signature:		Approved By: halden 8-28-2014 Title: SUSERVISOR DISTRICT # 3				
Printed name: Arthur W. Butler III	when getter	Title: SUJERVISOR DISTRICT # 3				
Title: Manager		Approved Dag 16 28 2014 Expiration Date: AUG 28 2015				
E-mail Address: bbutler@highplainsop.c	om					
Date: August 20, 2014	Phone: 719-395-8059	Conditions of Approval Attached				

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Drive Santa Fe. NM 87505 Form C-102 Revised August 1, 2011

**F** 1

Submit one copy to Appropriate District Office

AMENDED REPORT

District I 1625 N. French Drive, Hobbs, NM 88240 Phone: (575) 393-6161 Fax: (575) 393-0720

District II 811 S. First Street, Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 District III

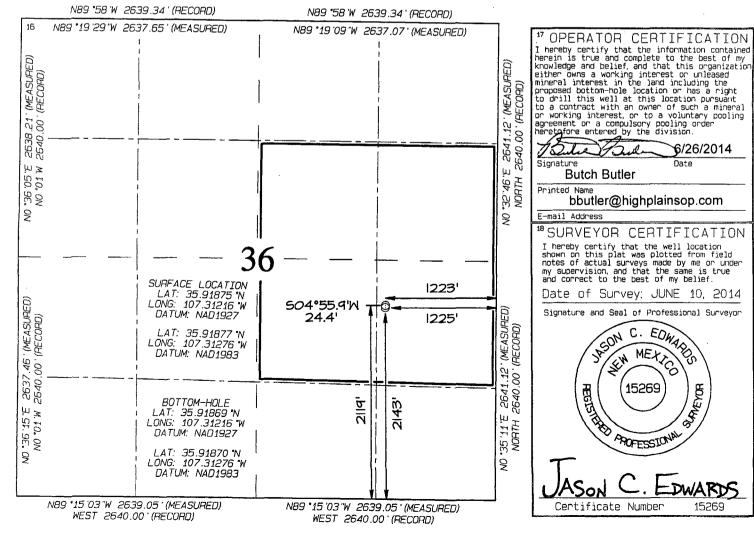
1000 Rio Brazos Road, Aztec. NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170

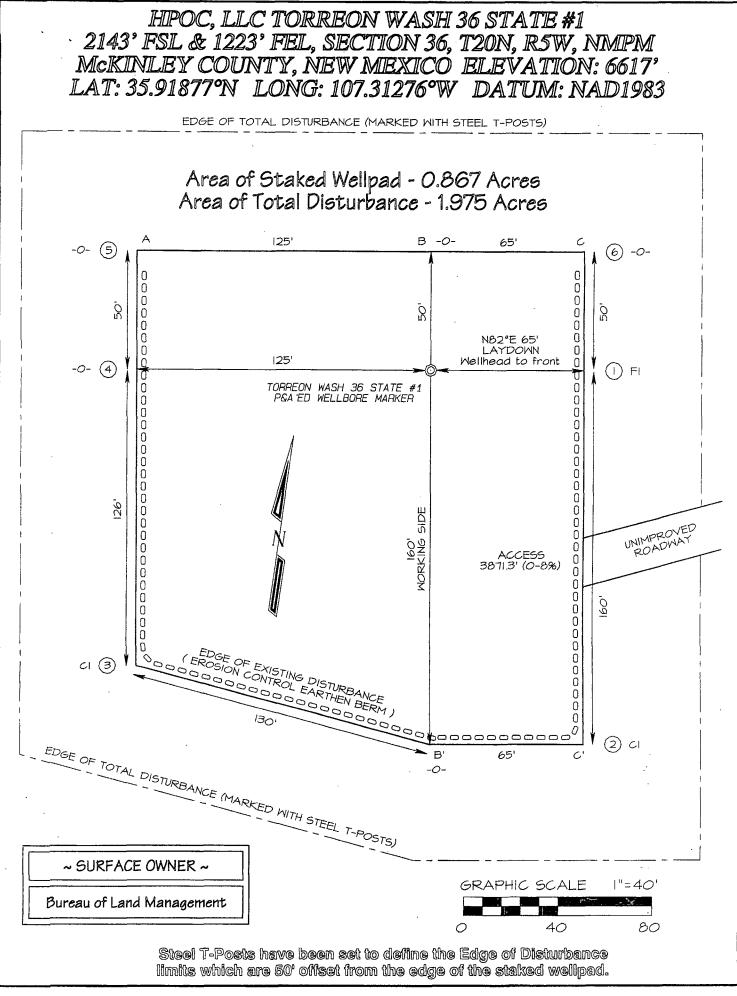
District IV 1220 S. St. Francis Drive, Santa Fe, NM 87505 Phone: (505) 476-3460 Fax: (505) 476-3462

### WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number 30-031-21006				*Pool Code 2285 ARE			ENA BLANCA-ENTRADA			
Property				TC	Property RREON WAS	y <sub>Name</sub> H 36 STATE		εh	lell Number 1	
24623	[				*Operator HPOC,	Name		9	Elevation 6617	
L					<sup>10</sup> Surface	Location				
UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County	
I	36	20N	5W		2143	SOUTH	1223	EAST	MCKINLEY	
·		1	Botto	m Hole	Location I	f Different M	- rom Surfac	е		
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
I	36	20N	5W		2119	SOUTH	1225	EAST	McKINLEY	
<sup>12</sup> Dedicated Acres	N/2	160.0 SE/4 &	Acres S/2 N	NE/4	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.	L		

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





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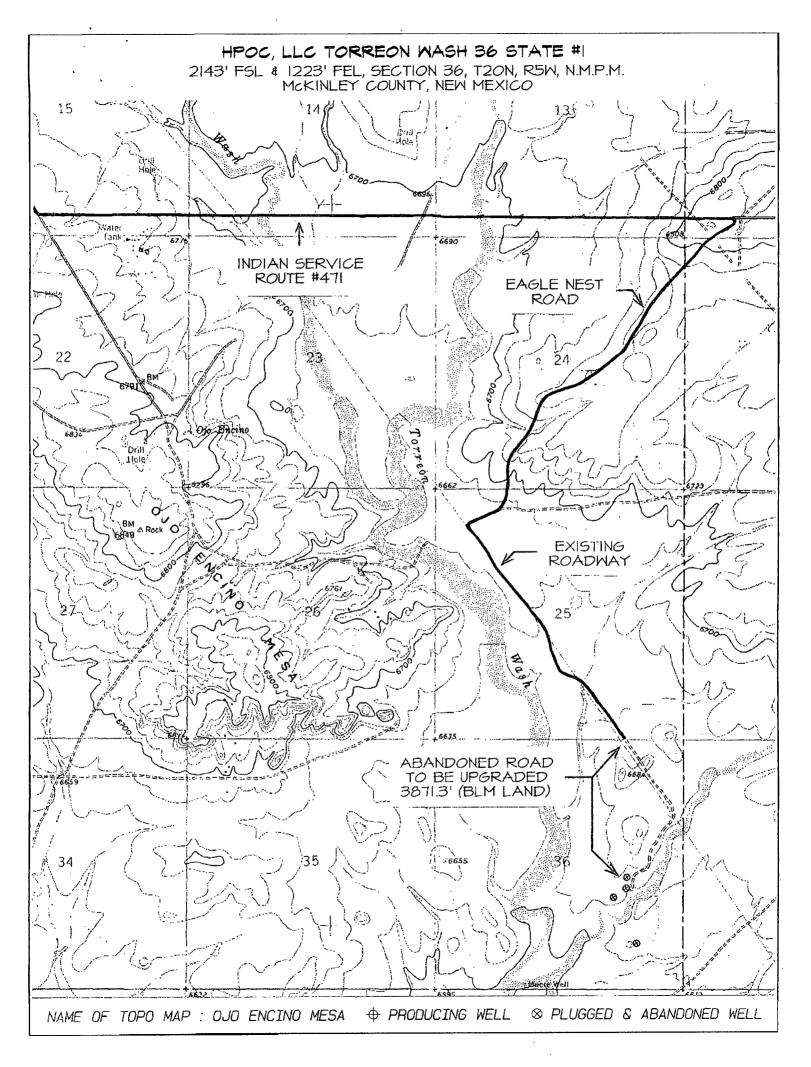
· ·	·	2143' F	SL & 122	LC TORR 23' FEL, S INTY, NE	SECTION	136, T201	N, R5W, I	NMIPM 1:6617°							
	·		C	HORIZO VERTI	ONTAL SCALE CAL SCALE	l"=25'		:							
A-A'					· · · · · · · · · · ·					· · · ·					
6627'					••••										
6617'															
6607'															
A-A'	· · · ·														
	C/L														
В-В'										•					
6627'						•••••									
6617'		· · · · · · · · · · · · · · · · · · ·													
6607'		• • • • • • • • • • •			•••••										
B-B'															
	· · · · · · · · · · · · · · · · · · ·	<u> </u>	C.	/L			/	A							
C-C'						· · · · · · · · · · · ·									
6627'		· · · · · · · · · · · · · · · · · · ·				• • • • • • • • • •	· · · · · · · · · · · · · ·								
6617'						·			· · · · · · · · · · · · · · · · · · ·						
6607'				••••	· · · · · · · · · · · · · · · · · · ·										
C-C'				· · · · · · · · · · · · ·		· · · · · · · · ·									
6-6		CONTRAC	TOR SHOULD CON	TACT ONE-CALL F	FOR LOCATION OF	ANY MARKED OF		DERGROUND		· · · ·					

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1

UTILITIES OR PIPELINES ON WELLPAD AND/OR ACCESS ROAD AT LEAST TWO WORKING DAYS PRIOR TO CONSTRUCTION.



#### Directions from the Intersection of US Hwy 550 & US Hwy 64

#### in Bloomfield, NM to HPOC, LLC Torreon Wash 36 State #1

### 2143' FSL & 1223' FEL, Section 36, T20N, R5W, N.M.P.M., McKinley County, NM

#### Latitude: 35.91877°N Longitude: 107.31276°W Datum: NAD1983

From the intersection of US Hwy 550 & US Hwy 64 in Bloomfield, NM, travel Southerly on US Hwy 550 for 53.6 miles to Mile Marker 97.7;

Go Right (South-Easterly) on Indian Service Route #474 for 4.5 miles to fork in road;

Go Left (South-Westerly) for 0.2 miles remaining on Indian Service Route #474 to 4-way intersection at Ojo Encino Sign;

Go Left (South-Easterly) for 1.3 miles remaining on Indian Service Route #474 to fork in roadway;

Go Right which is straight (South-Easterly) for 0.4 miles remaining on Indian Service Route #474 to fork in roadway;

Go Left which is straight (South-Easterly) for 2.4 miles remaining on Indian Service Route #474 to South Rock Church Road turn-off;

Go Left which is straight (South-Easterly) at South Rock Church Road turn-off for 2.0 miles to beginning of paved Indian Service Route #471;

Go Straight (Southerly) remaining on paved Indian Service Route #471 for 11.8 miles to Mile Marker 2.1 at 4-way intersection;

Go Right (South-Westerly) exiting Indian Service Route #471 onto Eagle Nest Road for 1.6 miles to fork on west side of existing pipeline ROW;

Go Left (South-Easterly) for 1.1 miles to fence line marking north line of Section 36 from which the abandoned road needing to be upgraded continues for 3871.3' to staked HPOC Torreon Wash 36 State #1 location.



## Attachment to HPOC, LLC's Torreon Wash 36 State #1 APD August 20, 2014

### SUMMARY

HPOC plans to re-enter the Penwell Torreon Wash 36 State #1 well, drill out the current cement plugs, drill through the Entrada pay section and obtain open-hole logs. If log analysis confirms commercial reserves remain to be recovered, HPOC will run a liner and complete the well for production testing. The Penwell Torreon Wash 36 State #1 well is an ideal candidate for a re-entry, based on all geoscience, production and engineering information available.

HPOC et al hold New Mexico State Lease VB-1724 covering the east half of section 36-T20N-R5W. The surface was split from the minerals in 1956, with the Federal Government owning the surface. HPOC is working with the BLM Farmington Field Office on well pad and road access right-of-ways.

## ADMINISTRATIVE NON-STANDARD PRORATION ORDER NSP1987

HPOC made application with OCD in Santa Fe for a non-standard proration unit for the Torreon Wash 36 State #1 well. Administrative Order NSP1987 was issued June 3, 2014, allowing for a 160-acre proration unit comprised of the S/2 NE/4 and N/2 SE/4 of section 36-T20N-R5W, McKinley County, New Mexico.

### PHASE 1 OPERATIONS-RISKED ASSESSMENT

When Penwell originally drilled their Torreon Wash 36 State #1 well in early 2001, the 8 ¼" hole was TD'ed at 5,491' just above the top of the Entrada formation. They ran 7" casing, with a two-stage cement job. They had cement returns from the DV tool in the first stage and cement returns to surface in the second stage. Penwell then drilled out 10' into the top of the Entrada formation and open-hole completed the well. No logs were run over the Entrada pay section in this well.

Due to the good initial 7" casing, two-stage cement job, when the well was plugged, no holes were shot in this casing string. Five cement plugs were placed inside the casing. The first plug was placed on top of a cement retainer at 5,440', approximately 50' above the open-hole section in the Entrada. So cement was never run across the producing formation. See well-bore diagram that follows.

Utilizing a workover rig, our plan is to drill out the plugs and cement retainer in the well, drill through the Entrada formation and obtain wireline logs over the prospective productive zone. A closed-loop mud system will be used for all drilling operations.

These operations have a certain degree of risk until we see the log data. If well logs condemn the completion attempt, the well will be plugged immediately, all equipment will be removed from the well pad, and reclamation operations will be performed. If the logs look similar to (or better than) the offset Merrion O&G Arena Blanca #1 well logs (these wells are 220' apart), then we will proceed with the completion attempt and run a  $4 \frac{1}{2}$ " liner from approximately 5,300' to the new TD of about 5,650' in the Entrada prior to releasing the rig. We will then proceed with Phase 2 of our operations.

## PHASE 2 OPERATIONS-COMPLETE THE WELL AND COMMENCE PRODUCTION

A completion would be designed based on log analysis. Once the completion plan is finalized, we will move in a workover rig, perforate the  $4 \frac{1}{2}$ " liner casing, run pump equipment and commence production. See well-bore diagram that follows showing completion.

The well pump motor will be powered by a skid-mounted diesel electric generator, as there is currently no electric power at or near the location. Facility equipment to be installed in addition to the electric generator will be a 30' X 6' skid-mounted horizontal oil separator (existing inventory), a tank battery of from 2-6, 12' diameter, 400 bbl oil & water tanks, and a pump to lift fluids from the well. Actual tankage requirements will be determined based on production results, with one oil tank and one water tank initially being set.

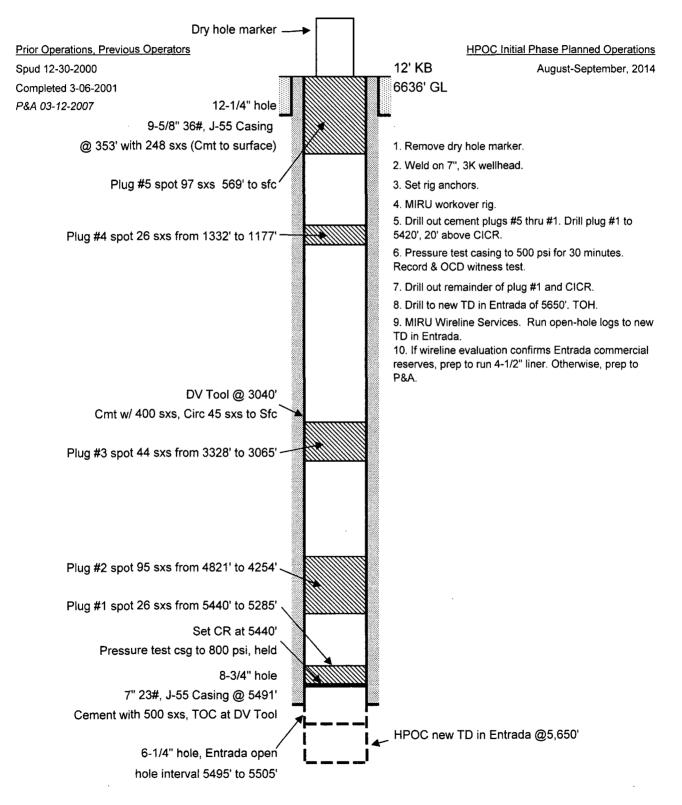
## **OTHER ATTACHMENTS**

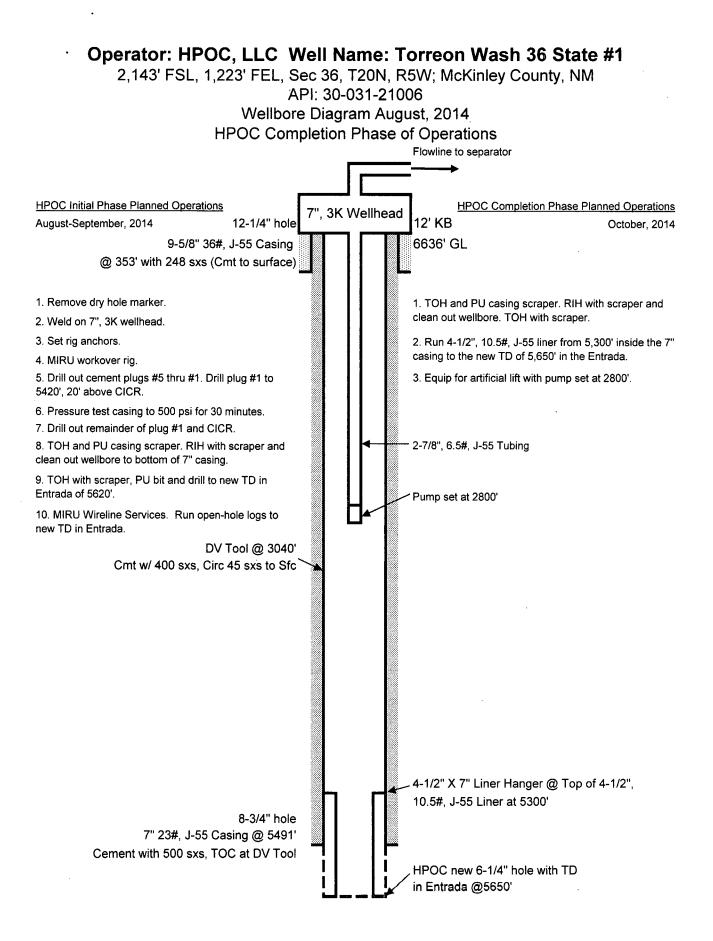
In addition to the well-bore diagrams already mentioned, following is also attached the Penwell Energy Torreon Wash 36 State #1 Scientific Drilling Gyro Survey Report, showing the bottom hole location at 5489' in the well to be 23.83' south and 2.00' west of the surface location. The final series of attachments are the search results of the New Mexico Office of the State Engineer's records for active and inactive points of diversion (POD's) in a 9-section area around section 36-T20N-R5W. There are no active POD's in these searches.

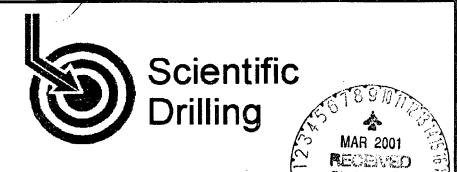
## Operator: HPOC, LLC Well Name: Torreon Wash 36 State #1

2,143' FSL, 1,223' FEL, Sec 36, T20N, R5W; McKinley County, NM API: 30-031-21006

## Wellbore Diagram August, 2014 As plugged with HPOC Initial Phase of Operations







## **GYRO SURVEY REPORT**

Prepared For

# PENWELL ENERGY INC. Torreon Wash 36 State # 1 McKinley County, NM

I-36-20N-5W 30-031-21006

Prepared By: Judi Moore - Well Planner Scientific Drilling International Rocky Mountain District

Scientific Drilling International 7237 W. Barton Rd. - P.O. Box 1600 Mills, WY 82644 (307) 472-6621 judimoore-sdi@touchtronics.net



## Scientific Drilling SURVEY REPORT

Site: To	cKinley Coun meon Wash 6 State	ity, NM			Vertica Section	1/19/2001 inate(NE) R I (TVD) Ref (VS) Refere Calculation	eference: erence: nce:	SITE 0.0 Well (0.0	reon Wash 3	14.81 Azi)	
Company: S	Survey #1 SHL SEC.3 Scientific Dril Syro,	6,T20N,R5W Iling	2143'FSL 8	1223'FEL	Eng	rt Date: gineer: d-to:	(	1/18/2001 Dave Done From Surfa			
Survey											
Meas Depth ft	Incl deg	Azim deg	TVD ft	VS ft	N/S ft	E/W ft	DLS deg/100ft	CLen ft	ClsD ft	ClsA deg	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
100.00	0.00	179.86	100.00	0.00	-0.15	0.00	0.00	100.00	0.00	179.86	
200.00	0.14	49.59	200.00	0.21	-0.22	0.09	0.28	100.00	0.24	156.68	
300.00	0.16	198.53	300.00	0.26	-0.27	0.14	0.29	100.00	0.31	152.25	
400.00	0.19	287.21	400.00	0.36	-0.35	-0.06	0.25	100.00	0.36	189.67	
500.00	0.08	164.22	500.00	0.39	-0.37	-0.20	0.24	100.00	0.42	208.22	
600.00	0.25	208.39	600.00	0.65	-0.63	-0.28	0.20	100.00	0.69	204.26	
700.00	0.05	314.32	700.00	0.83	-0.79	-0.42	0.27	100.00	0.90	207.88	
800.00	0.29	167.43	800.00	1.04	-1.01	-0.40	0.33	100.00	1.08	201.40	
900.00	0.21	206.41	900.00	1.45	-1.42	-0.42	0.18	100.00	1.48	196.55	
1000.00	0.15	29.74	1000.00	1.50	-1.47	-0.44	0.36	100.00	1.53	196.60	
1100.00	0.19	140.78	1100.00	1.50	-1.49	-0.27	0.28	100.00	1.51	190.26	
1200.00	0.10	266.35	1200.00	1.63	-1.62	-0.25	0.26	100.00	1.64	188.81	
1300.00	0.18	52.82	1300.00	1.54	-1.53	-0.21	0.27	100.00	1.55	187.92	
1400.00	0.19	162.81	1400.00	1.59	-1.59	-0.04	0.30	100.00	1.59	181.40	
1500.00	0.09	258.85	1500.00	1.77	-1.77	-0.07	0.22	100.00	1.77	182.17	
1600.00	0.18	155.80	1600.00	1.93	-1.93	-0.08	0.22	100.00	1.93	182.37	
1700.00	0.66	134.66	1699.99	2.43	-2.47	0.39	0.50	100.00	2.51	170.94	
1800.00	0.86	132.31	1799.98	3.26	-3.38	1.36	0.20	100.00	3.65	158.12	
1900.00	0.46	154.21	1899.98	4.06	-4.25	2.09	0.47	100.00	4.74	153.83	
2000.00	0.29	153.55	1999.97	4.62	-4.84	2.38	0.17	100.00	5.39	153.85	
2100.00	0.27	133.41	2099.97	4.99	-5.23	2.66	0.10	100.00	5.86	153.03	
2200.00	0.45	129.50	2199.97	5.36	-5.64	3.13	0.18	100.00	6.45	150.93	
2300.00	0.59	174.93	2299.97	6.09	-6.40	3.48	0.42	100.00	7.29	151.45	
2400.00	0.87	167.89	2399.96	7.32	-7.66	3.69	0.29	100.00	8.50	154.28	
2500.00	0.64	202.50	2499.95	8.58	-8.91	3.63	0.50	100.00	9.63	157.83	
2600.00	0.65	207.82	2599.95	9.63	-9.93	3.15	0.06	100.00	10.42	162.38	
2700.00	0.71	204.64	2699.94	10.74	-11.00	2.63	0.07	100.00	11.31	166.54	
2800.00	0.66	206.04	2799.93	11.86	-12.08	2.12	0.05	100.00	12.26	170.04	
2900.00	0.62	205.53	2899.92	12.90	-13.08	1.63	0.04	100.00	13.19	172.88	
3000.00	0.50	201.87	2999.92	13.82	-13.98	1.24	0.13	100.00	14.03	174. <del>94</del>	
3100.00	0.42	191.61	3099.92	14.60	-14.74	1.00	0.11	100.00	14.77	176.11	
3200.00	0.53	203.32	3199.91	15.41	-15.52	0.75	0.15	100.00	15.54	177.25	
3300.00	0.58	218.29	3299.91	16.27	-16.35	0.25	0.15	100.00	16.35	179.13	
3400.00	0.67	199.23	3399.90	17.26	-17.30	-0.26	0.23	100.00	17.30	180.85	
3500.00	0.68	229.25	3499.90	18.25	-18.24	-0.90	0.35	100.00	18.26	182.82	
3600.00	0.62	237.35	3599.89	19.00	-18.91	-1.80	0.11	100.00	19.00	185.45	
3700.00	0.70	201.08	3699.88	19.91	-19.78	-2.48	0.42	100.00	19.93	187.15	
3800.00	0.75	233.81	3799.88	20.93	-20.73	-3.23	0.41	100.00	20.98	188.85	
3900.00	0.79	237.03	3899.87	21.78	-21.49	-4.33	0.06	100.00	21.93	191.40	
4000.00	0.69	249.69	3999.86	22.46	-22.08	-5.48	0.19	100.00	22.75	193.93	
4100.00	0.47	264.20	4099.85	22.79	-22.33	-6.45	0.26	100.00	23.24	196.11	
4200.00	0.50	236.66	4199.85	23.14	-22.61	-7.22	0.23	100.00	23.74	197.72	
4300.00 4400.00	0.26	278.04	4299.85	23.39 23.53	-22.82 -22.93	-7.81 -8.10	0.35 0.27	100.00 100.00	24.12 24.32	198.90 199.46	
	0.18	204.96	4399.85	23.53	-22.90						
4500.00	0.15	167.31	4499.85	23.80	-23.20	-8.14	0.11	100.00	24.59	199.34	
4600.00	0.35	79.63	4599.85	23.84	-23.27	-7.81	0.38	100.00	24.55	198.55	
4700.00	0.37	96.33	4699.84	23.77	-23.25	-7.19	0.11	100.00	24.34	197.18	
4800.00	0.24	128.35	4799.84	23.90	-23.42	-6.70	0.21	100.00	24.36	195.98	



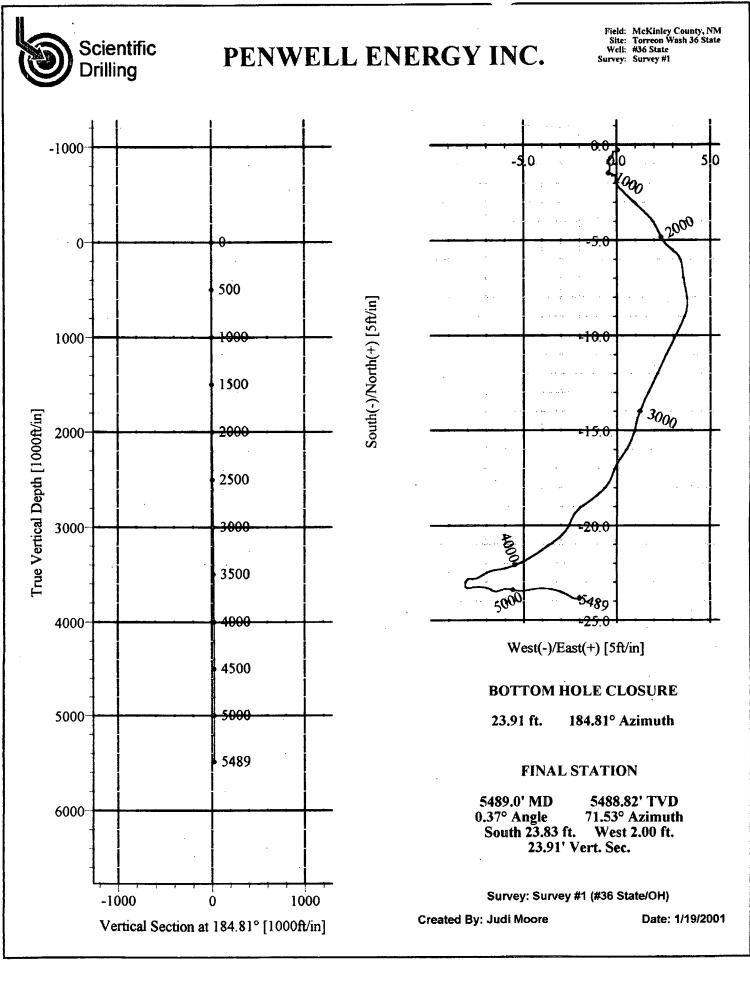
## Scientific Drilling SURVEY REPORT

Field: McK Site: Torr Well: #36 Wellpath: OH	IWELL EN linley Cour eon Wash State				Date: 1/19/2001 Tin Co-ordinate(NE) Reference: Vertical (TVD) Reference: Section (VS) Reference: Survey Calculation Method:			Time: 09:14:09 Page: Site: Torreon Wash 36 State, True Nor SITE 0.0 Well (0.00N,0.00E,184.81Azi) Minimum Curvature Db: Syba			
Survey Meas Depth ft	Inci deg	Azim deg	TVD ft	VS ft	N/S ft	E/W ft	DLS deg/100ft	CLen ft	ClsD ft	ClsA deg	
4900.00	0.36	64.97	4899.84	23.86	-23.41	-6.26	0.33	100.00	24.24	194.96	
5000.00 5100.00 5200.00	0.45 0.58 0.48	106.44 78.07 93.98	4999.84 5099.84 5199.83	23.78 23.71 23.56	-23.39 -23.40 -23.32	-5.59 -4.72 -3.81	0.30 0.28 0.18	100.00 100.00 100.00	24.05 23.87 23.63	193.45 191.41 189.28	
5300.00 5400.00	0.47 0.27	110.48 128.77	5299.83 5399.83	23.67 23.91	-23.50 -23.79	-3.01 -2.44	0.14 0.23	100.00 100.00	23.69 23.91	187.29 185.86	
5489.00	0.37	71.53	5488.82	23.91	-23.83	-2.00	0.36	89.00	23.91	184.81	

Brenda Coffman, Agent for Penwell Energy, Ine March 8, 2001

ATHY M LIVINGSTOP NOTARY PUBLIC State of Texas Comm. Exp.01-08-2004

Adthy M. Livingsten 3-8-01



1. T. M.



(with Ownership Information)

No PODs found.

PLSS Search:

Section(s): 6

Township: 19N Range: 04W



(with Ownership Information)

No PODs found.

PLSS Search:

Section(s): 1-2

Township: 19N Range: 05W



(with Ownership Information)

No PODs found.

PLSS Search:

Section(s): 30, 31

Township: 20N Range: 04W



(with Ownership Information)

No PODs found.

PLSS Search:

Section(s): 25, 26, 35, 36 Township: 20N Range: 05W