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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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] TYPE OF APPLICATION - Check Those Which Apply for [A] [1] Logation - Spacing Unit - Directional Drilling \square NSP OD DD Check One Only for [B] or [C] OIL CONSERVATION DIVISION Commingling - Storage - Measurement [B]☐ PLC D PC DHC ☐ CTB OLS OLS OLM. Injection - Disposal - Pressure Increase - Enhanced Oil Recovery [C]□ WFX ☐ PMX \square SWD D EOR ☐ PPR NOTIFICATION REQUIRED TO: - Check Those Which Apply, or \(\subseteq \text{ Does Not Apply} \) [2] [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 For all of the above, Proof of Notification or Publication is Attached, and/or, [E] [F] ☐ Waivers are Attached INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding [3] 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 further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken. JAMES BRUCE P.O. BOX 1056 SANTA FE, NM 87504 Signature Print or Type Name

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

SUITE B 612 OLD SANTA FE TRAIL SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

March 11, 1998

Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Floyd Operating Company ("Floyd") applies for administrative approval of an unorthodox oil well location for the following well:

Kennann Well No. 1 2180 feet FNL & 1280 feet FEL SE¼NE¼ §29, Township 21 South, Range 37 East, NMPM Lea County, New Mexico

Attached as Exhibit A is a Form C-102 for the well. The well will be drilled to a depth sufficient to test the Fusselman formation (Undesignated McCormack (Silurian) Pool). The pool is subject to statewide spacing and well location rules.

The proposed location is based upon geological reasons. Attached as Exhibit B is a structure map on top of the Fusselman formation, based on seismic and well control. Section 29 is highlighted in green, and the S½NE¾ of Section 29 is highlighted in orange. The proposed location is interpreted to be at the highest structural position in the S½NE¾ of Section 29, and provides the best chance to successfully encounter potential Fusselman pay. The further west the well is located in the SE¾NE¾ spacing unit, the higher the chance it will be a commercially viable well. Thus, placing the well at its proposed location reduces the risk involved in drilling the well.

Submitted as Exhibit C is a land plat of the subject area. The entire S%NE% of Section 29 (highlighted in yellow) is covered by one fee lease, and working, royalty, and overriding royalty interest ownership is uniform throughout the S%NE% of Section 29

below the base of the Tubb formation.

Since interest ownership is common in the proposed well unit and in the offsetting unit (the SW½NE½ of Section 29), notice is not required to be given to any offset owner. As a result, Floyd requests that the 20 day waiting period be waived.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

James Bruce

DISTRICT I P.O. Nov 1860, Habbs, 104 84241-1480 State of New Mexico

Energy, Museum and Natural Resources Department

Forms C-102 Merical Pabricary 10, 1984 Submit to appropriate District Office State Leave - 4 Coptes Fee Leave - 3 Coptes

DISTRICT II P.G. Dreber DD. Arteste. No Statt-Orto

DISTRICT III

OIL CONSERVATION DIVISION

1000 Me Brazos Rd., Astes, NE 87410

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

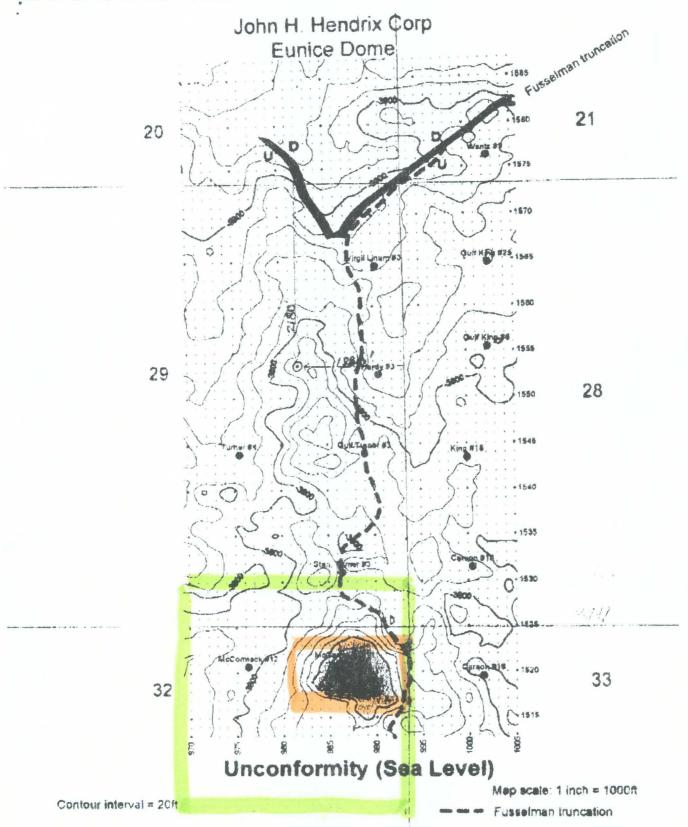
O AMENDED REPORT

DISTRICT IV P.D. New 2008. Santa Ve. NY 87804-2018

WELL LOCATION AND ACREAGE DEDICATION PLAT

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EXHIBIT



Production Administrator Approval Date: 02/23/98 Telephone: (713)222-6275

EXHIBIT

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JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE. NEW MEXICO 87504

SUITE B 612 OLD SANTA FE TRAIL SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

March 11, 1998

Hand Delivered

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

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This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

James Brucé

DISTRICT I P.O. Ber 10ho, Hobbs, Mi 86241-1460

State of New Mexico Knargr, Binerale and Rainral Resources Department

Form C-102 noviced Fabruary 10, 1904 Submit to appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

DISTRICT II P.S. Dreber DD, Arteste, NE 50211-0719

DISTRICT III 1000 No Brasse Rd., Astau, NE 87410

OIL CONSERVATION DIVISION

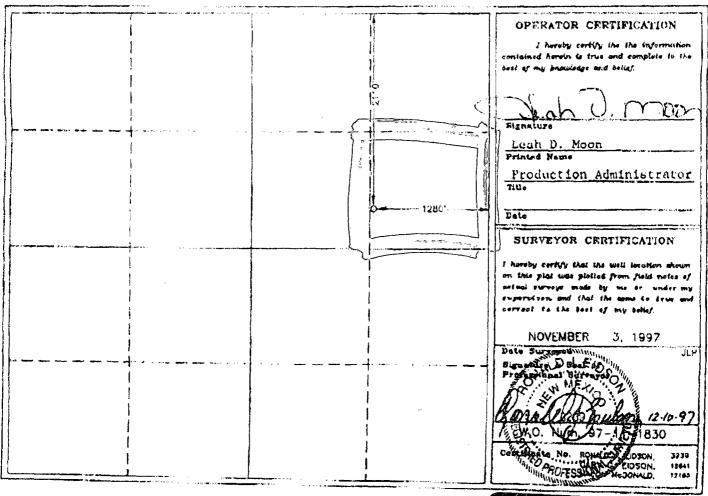
P.O. Box 2088

Santa Fe, New Mexico 87504-2088

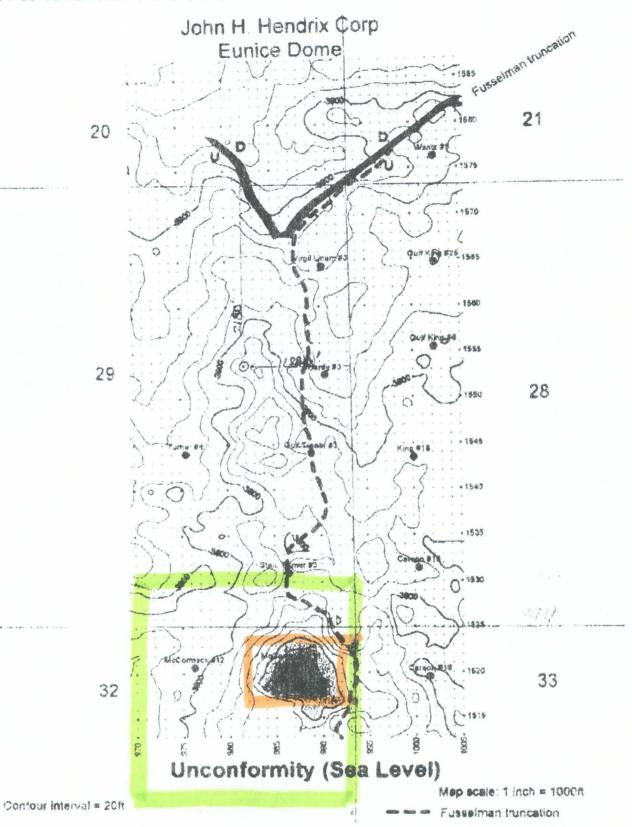
D AMENDED REPORT

DISTRICT IV P.C. Box 8068. Santa Ve. NH 87504-2048

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EXHIBIT



Production Administrator Approval Dage:

Date: 02/23/98 Telephone: (713)222-6275

Expiration Chair

EXHIBIT

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Description: 9/2 Sec. 29: All Sec. 32 (850, 1-1-50)

Ext: 4 Sec. 28; 4 Sec. 33 (R-174, 12-31-51)

OIL CONSERVATION DIVISION 2040 South Pacheco Street Santa Fe, New Mexico 87505 (505) 827-7131

March 12, 1998

Floyd Operating Company c/o James Bruce P. O. Box 1056 Santa Fe, New Mexico 87504

Re:

Administrative application on behalf of Floyd Operating Company of an unorthodox oil well location in the Undesignated McCormack-Silurian Pool for its proposed FOC Kennan Well No. 1 to be drilled 2180 feet from the North line and 1280 feet from the East line (Unit H) of Section 29, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, in which the SE/4 NE/4 of said Section 29 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for said pool.

Dear Mr. Bruce:

Subsequent to my initial review of the subject application I feel it necessary the appropriate operator(s)/leasehold interest owner(s) of the corresponding deep rights in both the NW/4 NE/4 (Unit B) and the NW/4 SE/4 (Unit J) of said Section 29 be notified of this application. Please reference Division General Rule 104.F(3).

I have attached a copy of this well's C-102 which illustrates my reasoning for this request.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you for your cooperation in this matter.

Sincerely,

Michael E. Stogner

Chief Hearing Officer/Engineer

DISTRICT I F.O. Mean 1880, Hebbs, 100 PARGILLING

State of New Mexico

Ruargy, Muserale and Maintel Resources Department

Form C-102
Mevised February 10, 1984
Submit to Appropriate District Office

State Lease - 4 Copies Fee Lasse - 3 Copies

DISTRICT II P.O. Brates, BD, Artens, No. 84211-0719

DISTRICT III 1000 Me Measse Rd., Astau, NN 87410 OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

O AMENDED REPORT

DISTRICT IV P.C. Res BOSS, Santa Pe, NN 87904-2008

WELL LOCATION AND ACREAGE DEDICATION PLAT

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JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

SUITE B 612 OLD SANTA FE TRAIL SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

March 13, 1998

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Re: Kennann Well No. 1

2180 feet FNL & 1280 feet FEL

SE½NE¼ §29, Township 21 South, Range 37 East, NMPM

TOR CONSERVATION DIVISION

Lea County, New Mexico

Dear Mr. Stogner:

Regarding the administrative application of Floyd Operating Company for approval of an unorthodox oil well location for the above well, enclosed is a copy of the notice letter sent to Marathon Oil Company, the south offset. The NE¼ of Section 29 is covered by a working interest unit, under which working interest ownership is common. Therefore, no interest owners in the N½NE¼ of Section 29 need be notified of this application.

Please call me if you need anything further on this matter.

Very truly yours,

James Bruce

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

SUITE B 612 OLD SANTA FE TRAIL SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

March 13, 1998

Certified Mail Return Receipt Requested

Marathon Oil Company P.O. Box 552 Midland, Texas 79702

Re: Floyd Operating Company

Kennann Well No. 1

2180 feet FNL & 1280 feet FEL

SEWNEW §29, Township 21 South, Range 37 East, NMPM

Lea County, New Mexico

Dear Sirs:

Floyd Operating Company has applied to the New Mexico Cil Conservation Division for administrative approval of an unorthodox oil well location for the above well, which will test the Fusselman formation. Floyd's records indicate that Marathon is an offset operator to the south of the proposed location. If you object to the location, please notify the Division in writing no later than April 2, 1998 (2040 South Pacheco Street, Santa Fe, New Mexico 87505, Attention: Michael E. Stogner):

Very truly yours,

James Bruce



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

October 17, 2005

Mark Fesmire
Director
Oil Conservation Division

John H. Hendrix Corporation P. O. Box 3040 Midland, Texas 79702-3040 Telefax No. (432) 684-7317

Attention:

Ronnie H. Westbrook

Vice President

Administrative Order NSL-3988-A

Dear Mr. Westbrook:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-524248218*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 29, 2005; and (ii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSL-3988, NSL-97, and NSP-1306: all concerning John H. Hendrix Corporation's ("Hendrix") request for exceptions to the gas well location requirements to both the:

- (a) "Special Rules and Regulations for the Blinehry Oil and Gas Pool," as promulgated by Division Order No. R-8170, as amended; and
- (b) "Special Rules and Regulations for the Tubb Oil and Gas Pool," as promulgated by Division Order No. R-8170, as amended.

Your application has been duly filed under the provisions of: (i) Division Rules 104.F, 605.B, and 1210.A (2) [formerly Rule 1207.A (2)]; and (ii) the special pool rules governing both the Blinebry Oil and Gas Pool (72480) and the Tubb Oil and Gas Pool (86440).

By Division Administrative Order NSL-3988, dated April 6, 1998, Floyd Operating Company received authorization to drill and complete its FOC Kennann Well No. 1 (API No. 30-025-34355) in the McCormack-Silurian Pool (45410) within a standard 40-acre oil spacing and proration unit comprising the SE/4 NE/4 (Unit H) of Section 29, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, at an unorthodox oil well location 2180 feet from the North line and 1280 feet from the East line of Section 29.

It is the Division's understanding that the deeper Silurian oil production within this well has been shut-in since May, 2004 due to an uneconomical rate of production and that Hendrix now intends to re-complete this well up-hole into the gas bearing Tubb and Blinebry intervals; however, pursuant to Rule 2 (b) 1 of the special pool rules for both pools, this location is also considered to be unorthodox.

Blinebry and Tubb gas production from the above-described FOC Kennann Well No. 1 is to be included within the existing standard 160-acre gas spacing and proration unit comprising the NE/4 of Section 29, which production is currently dedicated to Hendrix's Linam Hardy Gas Com. Well No. 1 (API No. 30-025-06859), located at an unorthodox gas well location in both the Blinebry Oil and Gas Pool (approved by Division Administrative Order NSL-97, dated April 25, 1957) and the Tubb Oil and Gas Pool (approved by letter dated February 8, 1954) 990 feet from the North line and 330 feet from the East line (Unit A) of Section 29.

By the authority granted me under the provisions of Division Rules 104.F (2) and 605.B (2), and the applicable provisions of the special pool rules governing both the Blinebry Oil and Gas Pool and Tubb Oil and Gas Pool, the above-described unorthodox infill gas well location of Hendrix's above-described FOC Kennann Well No. 1 is hereby approved.

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

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs

Files: NSL-97

NSL-3988

NSP-1306