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MANZANO OIL CORP

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Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

March 16, 2001

New Mexico Department of Energy, Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Mike Stogner

RE: APPLICATION FOR ADMINISTRATIVE APPROVAL
OF UNORTHODOX LOCATION
Manzano Oil Corporation
Rum Point State #1
330' FNL & 1200' FEL
Section 2 - T14S - R37E
Lea County, New Mexico

Dear Mr. Stogner:

Manzano Oil Corporation (Manzano) hereby makes application pursuant to Oil Conservation Division Rule 104.F(2) for administrative approval to drill the above referenced Rum Point State #1 well to the Devonian formation at an unorthodox location based on geologic considerations.

Manzano proposes to drill its Rum Point State #1 well to a unorthodox bottomhole location of 330 feet from the North line and 1200 feet from the East line of Section 2, Township 14 South, Range 37 East, N.M.P.M., Lea County, New Mexico with the intent of testing the Devonian formation. The proposed bottomhole location is unorthodox from the east line by 210' and is unorthodox only to an inner quarter-quarter boundary (1/4' east of 1/4 1/4 line). This location represents the best location identified by 3D seismic information.

The proposed location does not encroach on any lease boundaries and there would be no encroachment relative to correlative rights. The northeast quarter of section 2 is covered by one oil and gas lease (State of New Mexico Oil and Gas Lease VO-5839) with

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common working interest and royalty interest ownership. Manzano is the lessee of record of the northeast quarter of section 2 and Manzano will be Operator of the well.

Manzano proposes to dedicate to the Rum Point State #1 well at a standard spacing/proration unit comprised of NE/4 NE/4 of said Section 2-T14S-R37E.

The nearest well currently producing from the Devonian formation is approximately 1 mile northeast of the proposed location at the Paladin Energy Corporation Reed #2 which is in the NE/4 NE/4 of section 35-T13S-R37E. There is an abandoned Devonian producer (P & A 1972) on this lease which is approximately 660 feet east/southeast from the proposed location in the NE/4 NE/4 of section 2 (Texas Pacific Oil Company #1 State "S").

Exhibit "A" is a plat showing the proposed unorthodox well location, the proposed spacing unit for the well and lease ownership in the affected area. The spacing unit for the proposed well is outlined in blue and State of New Mexico Oil and Gas Lease No. VO-5839 is outlined in red (shaded light green).

Manzano is operator of the lands shown in light green on Exhibit "A". As Working Interest and Royalty Interest on all affected lands is common in the NE/4 of section 2, there would be no encroachment relative to correlative rights.

Exhibit "B" is a Structural Contour Map at the Top of the Devonian derived from 3D seismic information. This map shows the presence of a structural closure having approximately 50 foot of structural relief with an area under closure of around 40 acres. Recoverable reserves from one well drilled in an optimum location on this feature are estimated to be between 250,000 barrels of oil and 500,000 barrels of oil with very little to no associated gas.

At the nearest orthodox location of 330 feet from the north line and 990 feet from the east line of section 2 there is an increased risk of encountering a fault bounding the east side of the structure than at the proposed unorthodox location.

The proposed unorthodox location for the Rum Point State #1 well should provide the best opportunity to successfully evaluate this prospective feature.

In addition, it is our opinion that by drilling only one well at an optimum location on this feature we will effectively and efficiently drain this reservoir, will optimize recoverable reserves and will prevent waste that would be incurred by drilling unnecessary development wells.

Oil Conservation Division Rule 104.F(4) requires that the applicant submit a statement attesting that the applicant has sent notification to the affected parties as defined in Oil Conservation Division Rule 104.F(3b). As defined in Rule 104.F(3b), there are no affected parties. Please accept this application as the written statement from Manzano attesting that there are no affected parties to this proposed unorthodox location.

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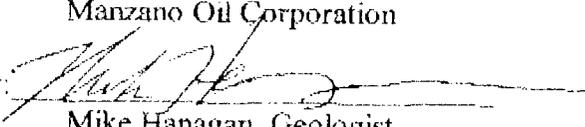
Based on the information contained herein, Manzano requests that the Division Director grant exception to Oil Conservation Division Rules 104.B(1b) and 104.C(1), without notice and hearing, so that Manzano may drill its Rum Point State #1 well at the proposed unorthodox location.

Manzano has recently been notified of the immediate availability of a drilling rig working in the general vicinity of this proposed well and, due to the extremely limited availability of drilling rigs capable of drilling to depths of over 12,000', would greatly appreciate your expedited consideration and approval of this request.

Thank you for your time and for your consideration of this application. Should you have any questions, please feel free to give me a call at 623-1996 or my cell phone at 420-8821.

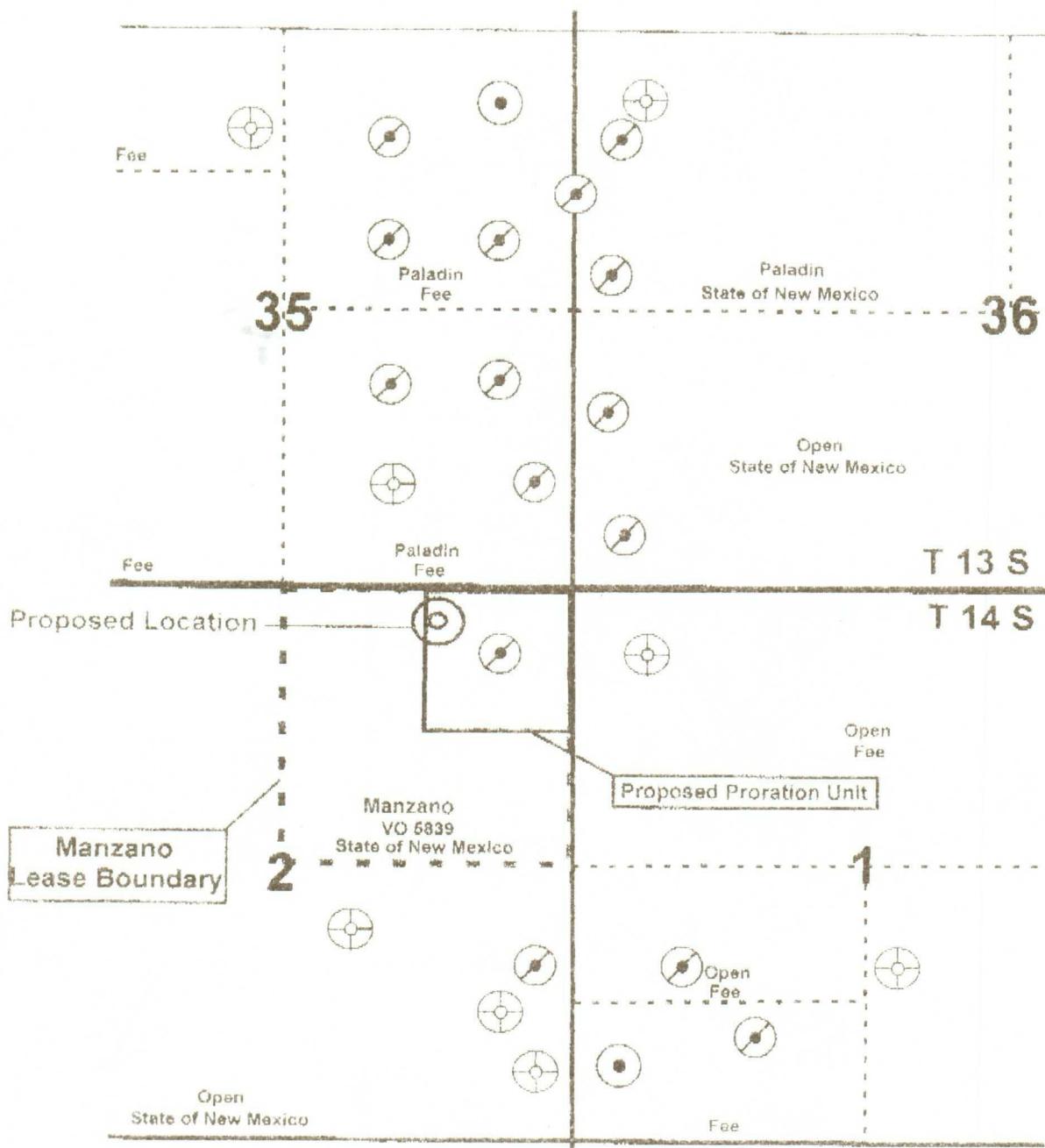
Respectfully Submitted,

Manzano Oil Corporation

By: 

Mike Hanagan, Geologist

CC: Mr. Chris Williams, OCD District I, Hobbs



APPLICATION FOR UNORTHODOX LOCATION

Manzano Oil Corporation
 Rum Point State #1
 330' FNL & 1200' FEL
 Section 2 - T14S - R37E
 Lea County, New Mexico

Scale: 1" = 1,000'

-  Active Devonian Oil Well
-  Abandoned Devonian Oil Well
-  Devonian Dry Hole

*ORIGINAL are @ 1:1,000
 These maps are 64% of 1:1,000*

EXHIBIT "A"

