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PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701
January 3, 1996

OFF: (915) 683-2534
FAX: (915) 683-4514

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

Re: Request for Administrative Approval
of an Unorthodox Location
Rookie State #1 Well
150' FNL & 2056' FEL of Section 7,
T-22-S, R-26-E, NMPM
Rifleman Prospect (NM-003)
Eddy County, New Mexico

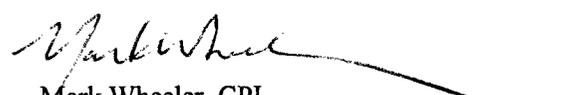
Dear Mr. Stogner:

Pursuant to my December 20, 1995 letter requesting the above administrative approval, please find attached copies of waiver letters from Penwell's offset operators, wherein all state that they have no objection to our location.

Accordingly, if our request is in order otherwise, please advise us at your earliest convenience if our location is administratively approved. We currently have a January 15th operations obligation date and would like to begin our operations early next week if our request is approved. Our fax number is listed above for your convenience if you could fax us the approval.

If we may be of any assistance, please do not hesitate to contact us. Thank you for your help in this matter.

Sincerely yours,


Mark Wheeler, CPL
Land Manager - Permian Basin

CMW

cc: Steve Foy
John Thoma
Santa Fe Energy Resources, Inc.
Attn: Meg Muhlinghouse

TOM BROWN, INC.

December 28, 1995

Mark Wheeler
Penwell Energy, Inc.
600 N. Marienfeld, Suite 1100
Midland TX 79701

Fax No. 683-4514

Re: Rookie State #1
Unorthodox Location
Section 7-22S-26E, N.M.P.M.
Eddy County, New Mexico
Hackberry Hills/NM011

Gentlemen:

We are in receipt of your notice of an unorthodox location request for the subject well. Please be advised that Tom Brown, Inc., as an offset owner of a leasehold interest, has no objection to the well location and that no objections will be made to the New Mexico Oil Conservation Commission.

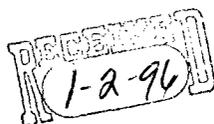
If we may be of any further assistance regarding this matter, please let us know at your convenience.

Very truly yours,

TOM BROWN, INC.



Dennis J. Hopkins
Division Landman



MARSHALL & WINSTON, INC.
P. O. BOX 50880
MIDLAND, TEXAS 79710-0880

December 28, 1995

Penwell Energy, Inc.
1100 ARCO Building
600 N. Marienfeld
Midland, Texas 79701

Attention: Mr. Mark Wheeler

Re: Rookie State #1 Well
Section 7, Township 22 South,
Range 26 East, Eddy County,
New Mexico

Dear Mr. Wheeler:

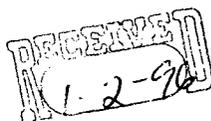
Reference is made to your letter of December 20, 1995 concerning the above captioned property. Marshall & Winston, Inc. will not object to your unorthodox location.

Very truly yours,



Kevin Hammit
Land Manager

KH:glh





**Amoco Exploration and Production
U.S.A. Operations Group**

Permian Basin Business Unit

**501 WestLake Park Boulevard
Post Office Box 4891
Houston, Texas 77210**

Jerry D. West
Staff Land Negotiator
(713) 366-3588
(713) 366-7590 (FAX)

January 3, 1996

**Re: Rookie State #1 Well
Section 7, T-22-S, R-26-E
Rifleman Prospect (NM-003)
Eddy County, New Mexico**

**Penwell Energy, Inc.
1100 Arco Building
600 N. Marienfeld
Midland, Texas 79701**

Attention: Mr. Mark Wheeler

Gentlemen:

Reference is made to Penwell Energy, Inc.'s letter dated December 20, 1995, requesting administrative approval for your unorthodox location for its proposed Rookie State #1 Well, being, 150' FNL x 2056' FEL of Section 7, T-22-S, R-26-E, Eddy County, New Mexico.

Please be advised that Amoco Production Company has no objections to your proposed location for this well. Penwell may furnish a copy of this letter to the NM OCD if it so chooses, to evidence Amoco's response to Penwell's application.

Sincerely,

Jerry D. West

Unocal Energy Resources Division
Unocal Corporation
1004 North Big Spring Suits 300
P.O. Box 3100
Midland, Texas 79702
Telephone (915) 685-7800



Permian Basin Business Unit

January 3, 1996

Penwell Energy, Inc.
1100 Arco Building
600 N. Marienfeld
Midland, Texas 79701

Attn: Mr. Mark Wheeler

Re: Rookie State #1 Well
Sec. 7, T.22S., R. 26E.
Eddy County, New Mexico

Gentlemen:

In reference to your letter of December 20, 1995 concerning the captioned property, Union Oil Company of California will not object to your unorthodox location.

Very truly yours,

Union Oil Company of California
dba UNOCAL

A handwritten signature in black ink, appearing to read "Mike Nixon".

Mike Nixon
Land Advisor
South Permian Asset Team

FASKEN OIL AND RANCH, LTD.

303 West Wall Avenue, Suite 1900
Midland, Texas 79701
(915) 687-1777

January 3, 1996

Pennwell Energy, Inc.
1100 Arco Building
600 N. Marienfeld
Midland, Texas 79701

Attn: Mark Wheeler, CPL

Re: Rookie State #1 Well
Section 7, T-22-S, R-26,E
Rifleman Prospect (NM-003)
Eddy County, New Mexico

Gentlemen:

Fasken, Ltd. waives any objection to Penwell Energy, Inc.'s Rookie State #1 Well location. Please advise if you have any other requests.

Best regards,



Sally M. Kvasnicka
Land Manager

SMK/dj

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

OFF: (915) 683-2534
FAX: (915) 683-4514

FAX TRANSMITTAL

TO: FAX #505/827-8177
ATTENTION: MR MICHAEL E. STOGNER
COMPANY: OIL CONSERVATION DIVISION
FROM: MR MARK WHEELER
DATE SENT: JANUARY 3, 1996

NUMBER OF PAGES (Including this Transmittal Page): 7

(IF PROBLEMS ARISE IN RECEIPT OF THIS TRANSMISSION, PLEASE CALL (915) 683-2534, THANK YOU.)

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79706
January 3, 1996

OFF: (915) 683-2534
FAX: (915) 683-4514

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

Re: Request for Administrative Approval
of an Unorthodox Location
Rookie State #1 Well
150' FNL & 2056' FEL of Section 7,
T-22-S, R-26-E, NMPM
Rifleman Prospect (NM-003)
Eddy County, New Mexico

Dear Mr. Stogner:

Pursuant to my December 20, 1995 letter requesting the above administrative approval, please find attached copies of waiver letters from Penwell's offset operators, wherein all state that they have no objection to our location.

Accordingly, if our request is in order otherwise, please advise us at your earliest convenience if our location is administratively approved. We currently have a January 15th operations obligation date and would like to begin our operations early next week if our request is approved. Our fax number is listed above for your convenience if you could fax us the approval.

If we may be of any assistance, please do not hesitate to contact us. Thank you for your help in this matter.

Sincerely yours,



Mark Wheeler, CPL
Land Manager - Permian Basin

CMW

cc: Steve Foy
John Thoma
Santa Fe Energy Resources, Inc.
Attn: Meg Muhlinghaus

**TOM BROWN, INC.**

December 28, 1995

Mark Wheeler
Penwell Energy, Inc.
600 N. Marienfeld, Suite 1100
Midland TX 79701

Fax No. 683-4514

Re: Rookie State #1
Unorthodox Location
Section 7-22S-26E, N.M.P.M.
Eddy County, New Mexico
Hackberry Hills/NM011

Gentlemen:

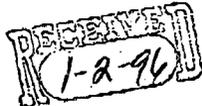
We are in receipt of your notice of an unorthodox location request for the subject well. Please be advised that Tom Brown, Inc., as an offset owner of a leasehold interest, has no objection to the well location and that no objections will be made to the New Mexico Oil Conservation Commission.

If we may be of any further assistance regarding this matter, please let us know at your convenience.

Very truly yours,

TOM BROWN, INC.

Dennis J. Hopkins
Division Landman



MARSHALL & WINSTON, INC.
P. O. BOX 50880
MIDLAND, TEXAS 79710-0880

December 28, 1995

Penwell Energy, Inc.
1100 ARCO Building
600 N. Marienfeld
Midland, Texas 79701

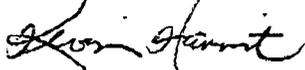
Attention: Mr. Mark Wheeler

Re: Rookie State #1 Well
Section 7, Township 22 South,
Range 26 East, Eddy County,
New Mexico

Dear Mr. Wheeler:

Reference is made to your letter of December 20, 1995 concerning the above captioned property. Marshall & Winston, Inc. will not object to your unorthodox location.

Very truly yours,



Kevin Hammit
Land Manager

KH:glh





Jerry D. West
Staff Land Negotiator
(713) 366-3568
(713) 366-7590 (FAX)

Amoco Exploration and Production
U.S.A. Operations Group

Permian Basin Business Unit

501 Westlake Park Boulevard
Post Office Box 4891
Houston, Texas 77210

January 3, 1996

Re: Rookie State #1 Well
Section 7, T-22-S, R-26-E
Rifleman Prospect (NM-003)
Eddy County, New Mexico

Penwell Energy, Inc.
1100 Arco Building
600 N. Marienfeld
Midland, Texas 79701

Attention: Mr. Mark Wheeler

Gentlemen:

Reference is made to Penwell Energy, Inc.'s letter dated December 20, 1995, requesting administrative approval for your unorthodox location for its proposed Rookie State #1 Well, being, 150' FNL x 2056' FEL of Section 7, T-22-S, R-26-E, Eddy County, New Mexico.

Please be advised that Amoco Production Company has no objections to your proposed location for this well. Penwell may furnish a copy of this letter to the NM OCD if it so chooses, to evidence Amoco's response to Penwell's application.

Sincerely,

A handwritten signature in cursive script that reads "Jerry D. West".

Jerry D. West

Unocal Energy Resources Division
Unocal Corporation
1004 North Big Spring, Suite 300
P.O. Box 3100
Midland, Texas 79702
Telephone (915) 685-7800

UNOCAL 

Permian Basin Business Unit

January 3, 1996

**Penwell Energy, Inc.
1100 Arco Building
600 N. Mariensfeld
Midland, Texas 79701**

Attn: Mr. Mark Wheeler

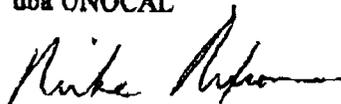
**Re: Rookie State #1 Well
Sec. 7, T.22S., R. 26E.
Eddy County, New Mexico**

Gentlemen:

In reference to your letter of December 20, 1995 concerning the captioned property, Union Oil Company of California will not object to your unorthodox location.

Very truly yours,

Union Oil Company of California
dba UNOCAL



Mike Nixon
Land Advisor
South Permian Asset Team

FASKEN OIL AND RANCH, LTD.

313 West Wall Avenue, Suite 1900

Midland, Texas 79701

(915) 687-1777

January 3, 1996

Pennwell Energy, Inc.
1100 Arco Building
600 N. Marienfeld
Midland, Texas 79701

Attn: Mark Wheeler, CPL

Re: Rookie State #1 Well
Section 7, T-22-S, R-26,E
Rifleman Prospect (NM-003)
Eddy County, New Mexico

Gentlemen:

Fasken, Ltd. waives any objection to Penwell Energy, Inc.'s Rookie State #1 Well location. Please advise if you have any other requests.

Best regards,



Sally M. Kvasnicka
Land Manager

SMK/dj

NSL-Penw

January 8, 1996

Rec. 12/20/95
Susp. 1/9/96
Release Date 1/9/96

**Penwell Energy, Inc.
1100 ARCO Building
600 N. Marinfeld
Midland, Texas 79701**

Attention: Mark Wheeler

Administrative Order NSL-1265-A

Dear Mr. Wheeler:

Reference is made to your application dated December 20, 1995, for a non-standard location to test the Bone Spring formation for the plugged and abandoned E. L. Latham, Jr. Eddy State Com Well No. 1, located 150 feet from the North line and 2056 feet from the East line (Unit B) of Section 7, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, which was initially drilled in 1963 under the authority of Division Administrative Order NSL-309, dated December 17, 1962, by Gulf Oil Corporation as the Hackberry Hills Unit Well No. 2 to a total depth of 10,050 feet. After testing "dry" this well was plugged and abandoned. In December, 1980 and January, 1981 E. L. Latham, Jr. and Roy G. Barton, Jr. reentered this well and deepened it down to 11,600 feet under the authority of Division Administrative Order NSL-1265, dated September 11, 1980 (which order superseded NSL-309), whereby said well was completed in the Happy Valley-Morrow Gas Pool and produced for eight months. In 1982 this well was again plugged and abandoned.

It is my understanding that said well to be renamed the Rookie State Well No. 1 will again be reentered and recompleted up-hole to test the Bone Spring formation for the production of either oil or gas. Pursuant to Division General Rules 104.B(1)(a) and (b), this location is also unorthodox. Further, should this well be completed as an oil well the NW/4 NE/4 of said Section 7 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit and should it be completed as a gas well the NE/4 of said Section 7 shall be dedicated to said well forming a standard 160-acre gas spacing and proration unit.

By the authority granted me under the provisions of Division General Rule 104.F(1), the above-described unorthodox location is hereby approved.

Further, Division Administrative Order NSL-1265, shall be placed in abeyance until further notice.

Sincerely,

William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: NSL-309
NSL-1265

1/9/96