

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
PAUL R. OWEN
KATHERINE M. MOSS

JACK M. CAMPBELL
OF COUNSEL

Rec: 6-29-99
Susp: NA Waivers
Received
Released 6-29-99
JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

June 29, 1999

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV
99 JUN 29 AM 4:36

Re: *Amended Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Bottomhole Well Location for its Concho "ACT" State Com Well No. 1 at a point 1980 feet from the North line and 660 feet from the East Line of Section 8, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.*

Dear Ms. Wrotenbery:

By Administrative Order No. NSL-4295, the Division approved an unorthodox well location for the Yates Petroleum Corporation Concho "ACT" State Com Well No. 1 to be drilled as a straight hole from a surface location 1650 feet from the North line and 660 feet from the East line of Section 8, Township 17 South, Range 217 East, NMPM, Eddy County, New Mexico.

Yates drilled the Concho "ACT" State Com Well No. 1 at the proposed unorthodox location but has been unsuccessful in making a well in the Lower Morrow Clastics interval. Yates Petroleum Corporation therefore seeks to amend Order No. NSL-4295 to permit it to directionally drill from the current wellbore to a new unorthodox bottomhole location 1980 feet from the North line and 660 feet from the East line of said Section 8.

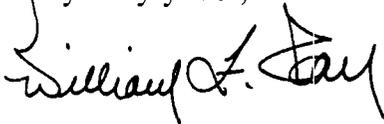
Attached hereto are letters from OXY USA, Inc. and Chi Energy, Inc., the only affected offsetting operators, waiving objection to the new unorthodox bottomhole location.

Lori Wrotenbery
June 29, 1999
Page 2

Since the rig is on location, Yates requests that the Division expedite this application.

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr". The signature is written in dark ink and is positioned above the printed name.

WILLIAM F. CARR

WFC/bh
Enclosure

cc: Robert Bullock
Yates Petroleum Corporation

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

June 29, 1999

Attn: Mr. Richard E. Fopplano
OXY USA INC.
5 Greenway Plaza, Suite 2400
PO Box 27570
Houston, Texas 77227-7570

VIA FACSIMILE

RE: Amended Application for Unorthodox Gas Well Location
Concho ACT State Com #1 Well
Township 17 South, Range 27 East
Section 8: Surface 1650' FNL & 660' FEL, B.H. 1980' FNL & 660' FEL
(N/2 well dedication)
Eddy County, New Mexico

Dear Mr. Fopplano:

Yates Petroleum Corporation is in the process of submitting an amended application to the OCD today for approval to side-track the above wellbore 330' to the south to attempt a Morrow completion at approximately 9150'. This operation is being initiated because no economic Morrow sands were encountered in the vertical wellbore.

By going 330' to the south we anticipate a bottom hole location of 1980' FNL and 660' FEL. As a party entitled to notice of this request, we request that OXY USA Inc. waive any objection to this application.

Please evidence your agreement by signing below and returning a copy to me. Thank you for your consideration of our request. If you need anything else please don't hesitate to call me at (505)748-4351. Our fax number is (505)748-4572.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Rob Bullock
Landman

RB:bn

AGREED TO AND ACCEPTED THIS 29TH DAY OF JUNE, 1999.

OXY USA INC

By: *[Signature]*

TITLE: *[Signature]*

MARTIN YATES, III
1912 - 1989
FRANK W. YATES
1920 - 1988



G. B. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
President
REYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
Secretary
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2110
TELEPHONE (800) 748-1471

June 29, 1999

Attn: Mr. John Qualls
Chi Energy, Inc.
PO Box 1709
Midland, Texas 79702

Via FACSIMILE

RE: Amended Application for Unorthodox Gas Well Location
Concho ACT State Com #1 Well
Township 17 South, Range 27 East
Section 8: Surface 1550' FNL & 650' FEL, S.H. 1980' FNL & 650' FEL
(N² well dedication)
Eddy County, New Mexico

Dear Mr. Qualls:

Yates Petroleum Corporation is in the process of submitting an amended application to the OCD today for approval to side-track the above wellbore 330' to the south to attempt a Morrow completion at approximately 9150'. This operation is being initiated because no economic Morrow sands were encountered in the vertical wellbore.

By going 330' to the south we anticipate a bottom hole location of 1980' FNL and 650' FEL. As a party entitled to notice of this request, we request that Chi Energy, Inc. waive any objection to this application.

Please evidence your agreement by signing below and returning a copy to me. Thank you for your consideration of our request. If you need anything else please don't hesitate to call me at (505)748-4361. Our fax number is (505)748-4572.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Rob Bullcock
Landman

RB:bn

AGREED TO AND ACCEPTED THIS 29TH DAY OF JUNE, 1999.

CHI ENERGY INC.

By: [Signature]

TITLE: President

CMD : ONGARD 06/29/99 18:31:56
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPR2

OGRID Idn : 25575 API Well No: 30 15 30659 APD Status(A/C/P): A
Opr Name, Addr: YATES PETROLEUM CORPORATION Aprvl/Cncl Date : 05-28-1999
105 S 4TH ST
ARTESIA,NM 88210

Prop Idn: 24647 CONCHO ACT STATE COM Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
Surface Locn	: H	8	17S	27E			FTG 1650 F N	FTG 660 F E
OCD U/L	: H		API County	: 15				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 3362

State Lease No: Multiple Comp (Y/N) : N
Prpsd Depth : 9150 Prpsd Frmtn : MORROW

E0009: Enter data to modify record

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1930 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

June 29, 1999

Attn: Mr. Richard E. Fopplano
OXY USA INC.
5 Greenway Plaza, Suite 2400
PO Box 27570
Houston, Texas 77227-7570

VIA FACSIMILE

RE: Amended Application for Unorthodox Gas Well Location
Concho ACT State Com #1 Well
Township 17 South, Range 27 East
Section 8: Surface 1650' FNL & 660' FEL, B.H. 1980' FNL & 660' FEL
(N/2 well dedication)
Eddy County, New Mexico

Dear Mr. Fopplano:

Yates Petroleum Corporation is in the process of submitting an amended application to the OCD today for approval to side-track the above wellbore 330' to the south to attempt a Morrow completion at approximately 9150'. This operation is being initiated because no economic Morrow sands were encountered in the vertical wellbore.

By going 330' to the south we anticipate a bottom hole location of 1980' FNL and 660' FEL. As a party entitled to notice of this request, we request that OXY USA Inc. waive any objection to this application.

Please evidence your agreement by signing below and returning a copy to me. Thank you for your consideration of our request. If you need anything else please don't hesitate to call me at (505)748-4351. Our fax number is (505)748-4572.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock

Rob Bullock
Landman

RB:bn

AGREED TO AND ACCEPTED THIS 29TH DAY OF JUNE, 1999.

OXY USA INC

BY: *[Signature]*

TITLE: *[Signature]*

MARTIN YATES, II
1912 - 1989
FRANK W. YATES
1936 - 1988



S. B. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
REYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KANEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (808) 748-1471

June 29, 1999

Attn: Mr. John Qualls
Chi Energy, Inc.
PO Box 1789
Midland, Texas 79702

VIA FACSIMILE

RE: Amended Application for Unorthodox Gas Well Location
Cencho ACT State Com #1 Well
Township 17 South, Range 27 East
Section 8: Surface 1660' FNL & 660' FEL, B.H. 1680' FNL & 680' FEL
(N/2 well dedication)
Eddy County, New Mexico

Dear Mr. Qualls:

Yates Petroleum Corporation is in the process of submitting an amended application to the OCD today for approval to side-track the above wellbore 330' to the south to attempt a Morrow completion at approximately 3160'. This operation is being initiated because no economic Morrow sands were encountered in the vertical wellbore.

By going 330' to the south we anticipate a bottom hole location of 1680' FNL and 680' FEL. As a party entitled to notice of this request, we request that Chi Energy, Inc. waive any objection to this application.

Please evidence your agreement by signing below and returning a copy to me. Thank you for your consideration of our request. If you need anything else please don't hesitate to call me at (505)748-4881. Our fax number is (505)748-4572.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Sulleck
Rob Sulleck
Landman

RB:bn

AGREED TO AND ACCEPTED THIS 28TH DAY OF JUNE, 1999.

CHI ENERGY, INC.

BY: *[Signature]*

TITLE: President

Stogner, Michael

From: Stogner, Michael
Sent: Tuesday, June 01, 1999 10:53 AM
To: Valdes, Kathy
Cc: Gum, Tim; Arrant, Bryan; Morgan, Ola; 'Rick Foppiano/OXY'; 'William F. Carr'; Davidson, Florene; Martinez, Sally
Subject: NSL-4295

Draft administrative order for Yates Petroleum Corporation's Concho "ACT" State Com. Well No. 1 to be drilled at an unorthodox gas well location 1650' FSL & 660' FEL (H) 8-T17S-R27E, Undesignated Crow Flats-Morrow Gas Pool:



NSL-4295.doc

With the issuance of this administrative order, Division Case No. 12197 (set for the June 10, 1999 Examiner's hearing) can be dismissed.

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

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

May 28, 1999

Via Fax and U.S. Mail

Lori Wrotenbery
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case No. 12197; Application of Yates Petroleum
Corporation for an unorthodox gas well location, Eddy
County, New Mexico (N $\frac{1}{2}$ §8-17S-27E)

Set for the June 10, 1999 Examiner hearing

Dear Ms. Wrotenbery:

Chi Energy, Inc. hereby withdraws its objection to the unorthodox
location which is the subject of the above case.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.

cc: Chi Energy, Inc. (via fax)
Yates Petroleum Corporation (via fax)
William F. Carr (via fax)

12185

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

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

May 28, 1999

Via Fax and U.S. Mail

Lori Wrotenbery
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

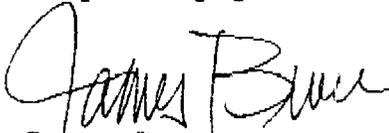
Re: Case No. _____; Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico (N $\frac{1}{2}$ §8-17S-27E)

Set for the June 10, 1999 Examiner hearing

Dear Ms. Wrotenbery:

Chi Energy, Inc. hereby withdraws its objection to the unorthodox location which is the subject of the above case.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.

cc: Chi Energy, Inc. (via fax)
Yates Petroleum Corporation (via fax)
William F. Carr (via fax)



OXY USA Inc.
5 Greenway Plaza, Suite 2400
P.O. Box 27570, Houston, TX 77227-7570

May 28, 1999

Mr. Mike Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

*** VIA FAX ***

Re: Application of Yates Petroleum Corporation for Unorthodox Gas Well
Location, Concho ACT State Com Well #1, 1650 FNL & 660 FEL, N/2 of
Section 8, Township 17 South, Range 27 East, Eddy County, NM

Dear Mr. Stogner:

OXY USA Inc. hereby withdraws our appearance in the referenced case.

Sincerely,

A handwritten signature in cursive script that reads "Rick".

Richard E. Foppiano, P.E.
Senior Advisor - Regulatory Affairs

REF: ref

Cc: Mr. Tom Kellahin (via fax)
Mr. Bill Carr (via fax)
Mr. Jim Bruce (via fax)

-
- CASE 12194:** **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 SE/4 (Unit J) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. The unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling the well. The proposed 40-acre unit is located approximately 1.25 miles north of U. S. Highway 62-180 at mile marker No. 77.
- CASE 12195:** **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SE/4 (Unit I) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling the well. The proposed 40-acre unit is located approximately 1.25 miles north of U. S. Highway 62-180 at mile marker No. 77.
- CASE 12196:** **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling the well. The proposed 40-acre unit is located approximately 1 mile north of U. S. Highway 62-180 at mile marker No. 77.
- CASE 12185:** **Continued from May 27, 1999, Examiner Hearing.**
- Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks authorization to drill a well to the Morrow formation, Undesignated Crow Flats-Morrow Gas Pool, at an unorthodox well location 660 feet from the North and East lines of Section 5, Township 17 South, Range 27 East. The N/2 of Section 5 is to be dedicated to the well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 5 miles east-northeast of Artesia, New Mexico.
- CASE 12197:** **Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks approval to drill its Concho "ACT" State Com. Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the North line and 660 feet from the East line (Unit H) of Section 8, Township 17 South, Range 27 East, located approximately six miles east of Artesia, New Mexico. The N/2 of Section 8 is to be dedicated to the well in order to form a standard 320-acre gas spacing and proration unit in the Undesignated Crow Flats-Morrow Gas Pool.
- CASE 12186:** **Continued from May 27, 1999, Examiner Hearing.**
- Application of Chesapeake Operating Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 15, Township 16 South, Range 35 East, in the following manner: (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Townsend-Morrow Gas Pool and the North Shoe Bar-Atoka Gas Pool; (b) the NE/4 to form a standard 160-acre gas spacing and proration for any formations and/or pools developed on 160-acre gas spacing within that vertical extent, including the North Shoe Bar-Wolfcamp Gas Pool; (c) the E/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools developed on 80-acre oil spacing within that vertical extent; and (d) the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre oil spacing within that vertical extent, including the Townsend-Permo Upper Pennsylvanian Pool. These units are to be dedicated to its Boyce "15" Well No. 1 which will be located at a standard location within Unit H of the section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in this well. This unit is located approximately 5 1/2 miles southwest of the center of the City of Lovington, New Mexico.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

May 10, 1999

12197

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Robert Bullock

Re: Application dated April 15, 1999 for the Yates Petroleum Corporation to drill its proposed Concho "ACT" State Com. Well No. 1 at an unorthodox gas well location to test the Undesignated Crow Flats-Morrow Gas Pool 1650' FSL & 660' FEL (H) of Section 8, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

Dear Mr. Bullock:

On May 3, 1999 the Division received an objection from Chi Energy, Inc. to the subject application, see copy of a letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for June 10, 1999. Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

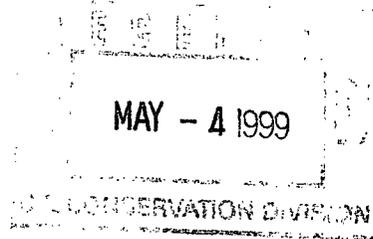
cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
Chi Energy, Inc. (Attention: John W. Qualls) – Midland, Texas
William F. Carr, Legal Counsel for Yates Petroleum Corporation – Santa Fe
Kathy Valdes, NMOCD – Santa Fe

CHI ENERGY, INC.

P.O. BOX 1799
MIDLAND, TEXAS 79702

May 2, 1999

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



**Re: Yates Petroleum Corporation
Unorthodox Morrow Gas Well Location
Concho ACT State Com. #1
Township 17 South, Range 27 East, N.M.P.M.
Section 8: 1650' FNL & 660' FEL
Eddy County, New Mexico**

Dear Mr. Stogner:

Chi Energy, Inc. owns a working interest in OXY USA Inc.'s operated Wallace #1, Wallace #3 and the LD #4 offsetting the proposed unorthodox location referenced above. Chi believes the referenced unorthodox location is an effort to drain reserves underlying Chi's leasehold causing waste and thus should be denied. Please advise when this application will be scheduled for a formal hearing.

Sincerely,


John W. Qualls

JWQ/fh

Chi Energy, Inc.

*P. O. Box 1799
Midland, TX 79702*

FAX TRANSMISSION

DATE SENT: 5-2-99 TIME SENT: 1:45 PM

TO: NAME: Michael F. Stogner
LOCATION: OCU - Santa Fe New Mexico
TELEPHONE/FAX NO.: 505-827-8177

FROM: NAME: John Qualls
LOCATION: Midland Texas
TELEPHONE/FAX NO.: 915-685-5001/915-687-2662

NUMBER OF PAGES: 1 + COVER

MEMO:

Mr. Stogner:
The hard copy is being mailed
by overnight mail today. Thanks.


District I
PO Box 1980, Hobbs, NM: 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-104
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
5 Copies
 AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address Concho resources, Inc. 110 W. Louisiana, Suite 410 Midland, Tx 79701		² OGRID Number 46111-166111
		³ Reason for Filing Code CH 2/1/99
⁴ API Number 30 - 0 15-30472	⁵ Pool Name Crow Flat - Morrow	⁶ Pool Code 75720
⁷ Property Code 24303	⁸ Property Name Chama "8" Federal Com	⁹ Well Number 1

II. ¹⁰ Surface Location

Ul or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
B	8	17S	27E		660	North	1650	East	Eddy

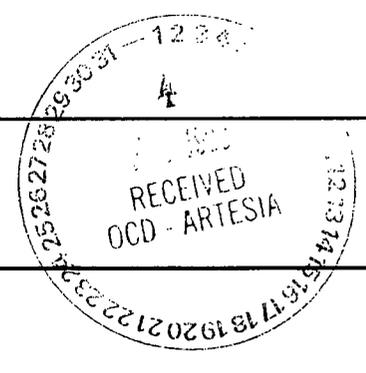
¹¹ Bottom Hole Location

Ul or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
B	8	17S	27E		660	North	1650	East	Eddy

¹² Lse Code	¹³ Producing Method Code N/A	¹⁴ Gas Connection Date	¹⁵ C-129 Permit Number	¹⁶ C-129 Effective Date	¹⁷ C-129 Expiration Date
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III. Oil and Gas Transporters

¹⁸ Transporter OGRID	¹⁹ Transporter Name and Address	²⁰ POD	²¹ O/G	²² POD ULSTR Location and Description



IV. Produced Water

²³ POD	²⁴ POD ULSTR Location and Description
-------------------	--

V. Well Completion Data

²⁵ Spud Date	²⁶ Ready Date	²⁷ TD	²⁸ PBD	²⁹ Perforations	³⁰ DHC, DC, MC
³¹ Hole Size	³² Casing & Tubing Size	³³ Depth Set	³⁴ Sacks Cement		

VI. Well Test Data

³⁵ Date New Oil	³⁶ Gas Delivery Date	³⁷ Test Date	³⁸ Test Length	³⁹ Tbg. Pressure	⁴⁰ Csg. Pressure
⁴¹ Choke Size	⁴² Oil	⁴³ Water	⁴⁴ Gas	⁴⁵ AOF	⁴⁶ Test Method

⁴⁷ I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.	OIL CONSERVATION DIVISION
Signature: <i>Jeri Stathem</i>	Approved by: <i>Sean W. Geun</i> BGO
Printed name: Jeri Stathem	Title: <i>District Supervisor</i>
Title: Production Analyst	Approval Date: 3-10-99
Date: 01/22/99	Phone: 915-683-7443

⁴⁸ If this is a change of operator fill in the OGRID number and name of the previous operator

Penwell Energy, Inc., OGRID #147380

Previous Operator Signature <i>Linda Walker</i>	Printed Name Linda Walker	Title Regulatory Analyst	Date 01/22/99
--	------------------------------	-----------------------------	------------------

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 PENWELL ENERGY, INC. (BILL PIERCS) 915-683-2534 147380

3. ADDRESS AND TELEPHONE NO.
 600 NORTH MARIENFELD SUITE 1100 MIDLAND, TEXAS 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface
 1650' FEL & 660' FNL SEC. 8 UNIT "B" T17S-R27E EDDY CO. NM
 At proposed prod. zone SAME

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 Approximately 5 miles Northeast of Artesia New Mexico

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 660'

16. NO. OF ACRES IN LEASE 320

17. NO. OF ACRES ASSIGNED TO THIS WELL 320

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. NA

19. PROPOSED DEPTH 9200'

20. ROTARY OR CABLE TOOLS ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3360' GR.

22. APPROX. DATE WORK WILL START* WHEN APPROVED

5. LEASE DESIGNATION AND SERIAL NO.
 NM-98809

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME
 ----- 23832

8. FARM OR LEASE NAME WELL NO.
 CHAMA "8" FEDERAL 1

9. API WELL NO.
 30-015-30472

10. FIELD AND POOL OR WILDCAT
 CROW FLAT - MORROW 75720

11. SEC., T., E., M., OR BLK. AND SURVEY OR AREA
 SEC. 8 T17S-R27E

12. COUNTY OR PARISH EDDY CO.

13. STATE NM

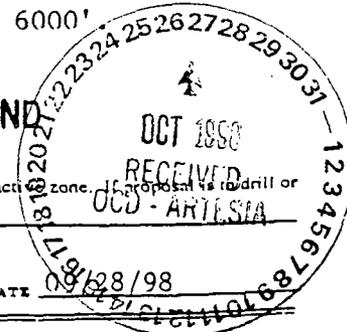
23. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25"	Conductor 20"	NA	40'	Cement to surface with Redi-mix
12 1/2"	J-55 8 5/8"	24	1850'	950 Sx. circulate cement to surface
7 7/8"	N-80 & J-55 5 1/2"	17 & 15.5	9200'	600 Sx. estimate top cement 6000'
17-1/2"	H-40 13-3/8"	48	400'	Circulate Cement to surface

1. Drill 25" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 12 1/2" hole to 1850'. Run and set 1850' of 8 5/8" J-55 24# ST&C casing. Cement with 950 Sx. of Class "C" cement, circulate cement to surface.
3. Drill 7 7/8" hole to 9200'. Run and set 9200' of 5 1/2" casing as follows: 1500' of 5 1/2" 17# N-80 LT&C, 2200' of 5 1/2" J-55 17# LT&C, 3100' of 5 1/2" J-55 15.5# LT&C, 2400' of 5 1/2" 17# J-55 LT&C casing. Cement with 350 Sx. of Halco Light, tail in with 250 Sx. of Class "H" Premium Plus cement + additives, estimate top of cement 6000'

**SUBJECT TO
LIKE APPROVAL
BY STATE**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS**



IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present and proposed new production zone and proposed new production zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Joel Janice TITLE Agent DATE 09/28/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

Acting
Assistant Field Office Manager,
Lands and Minerals

(ORIG. SGD.) ARMANDO A. LOPEZ

APPROVED BY _____ TITLE _____ DATE OCT 26 1998

*See Instructions On Reverse Side

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 75720	Pool Name CROW FLAT - MORROW
Property Code	Property Name Chama "8" Federal	Well Number 1
OGRID No. 147380	Operator Name Penwell Energy Inc.	Elevation 3360'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	8	17 S	27 E		660	North	1650	East	Eddy

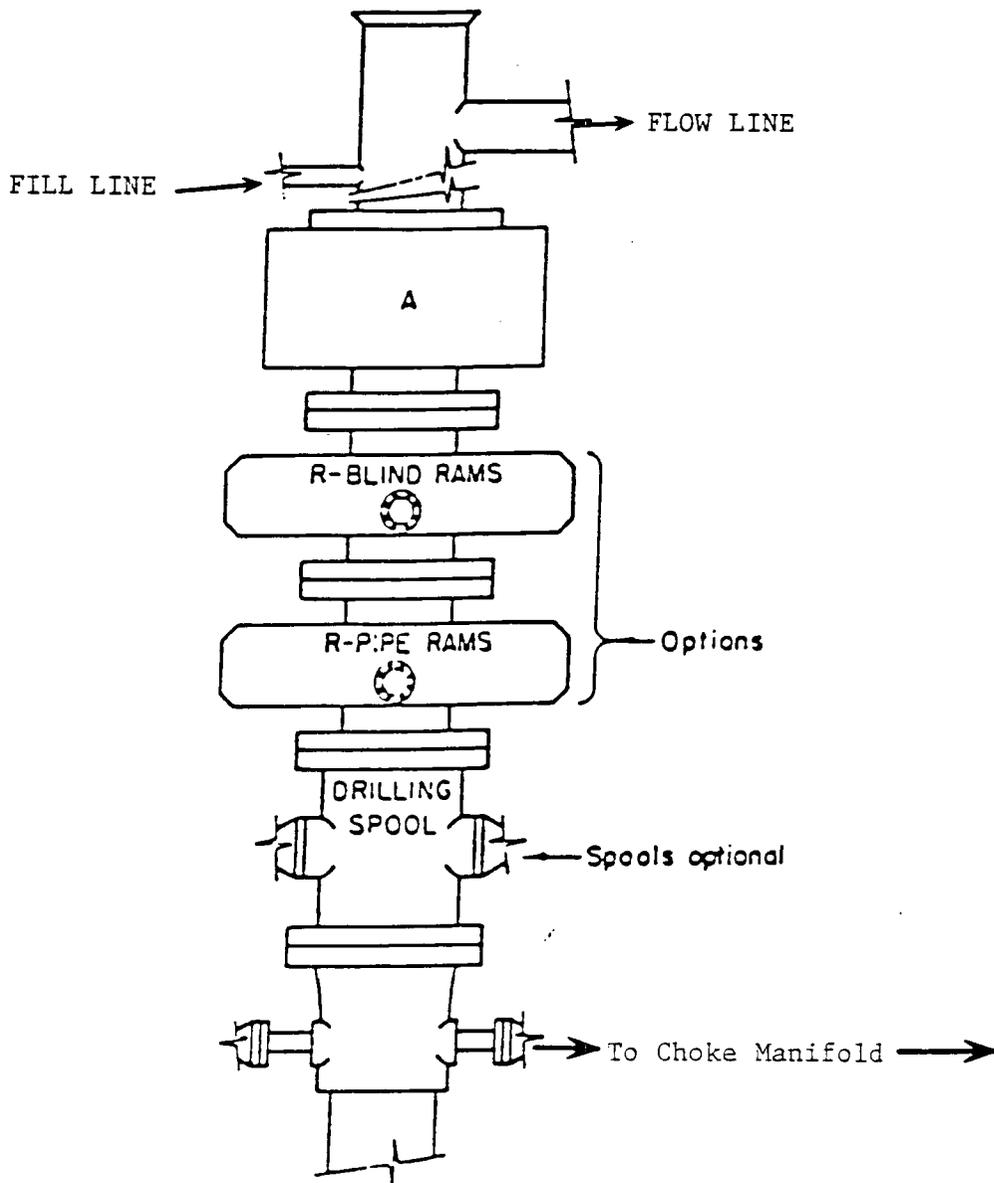
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature</p> <p>Joe T. Janica Printed Name</p> <p>Agent Title</p> <p>09/28/98 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>September 24, 1998 Date Surveyed</p> <p><i>[Signature]</i> Signature of Professional Surveyor</p> <p>Professional Surveyor W.O. No. 8394 Certificate No. Jones 7977</p>
	<p>BASIN SURVEYS</p>
	<p>EXHIBIT "A"</p>

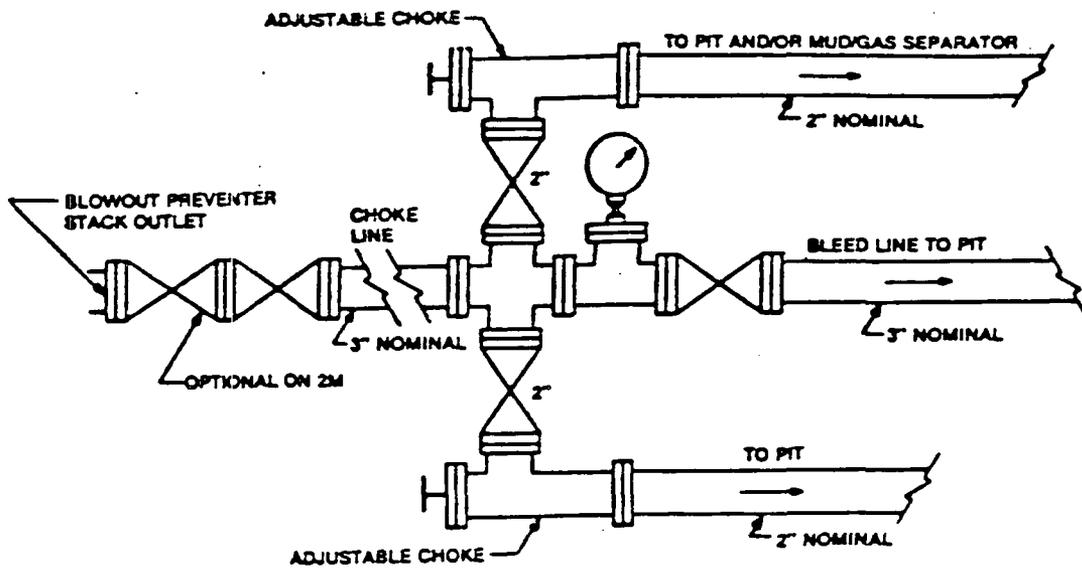


ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
B.O.P. SKETCH TO BE USEN ON

PENWELL ENERGY, INC.
CHAMA "8" FEDERAL # 1
UNIT "B" SECTION 8
T17S-R27E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

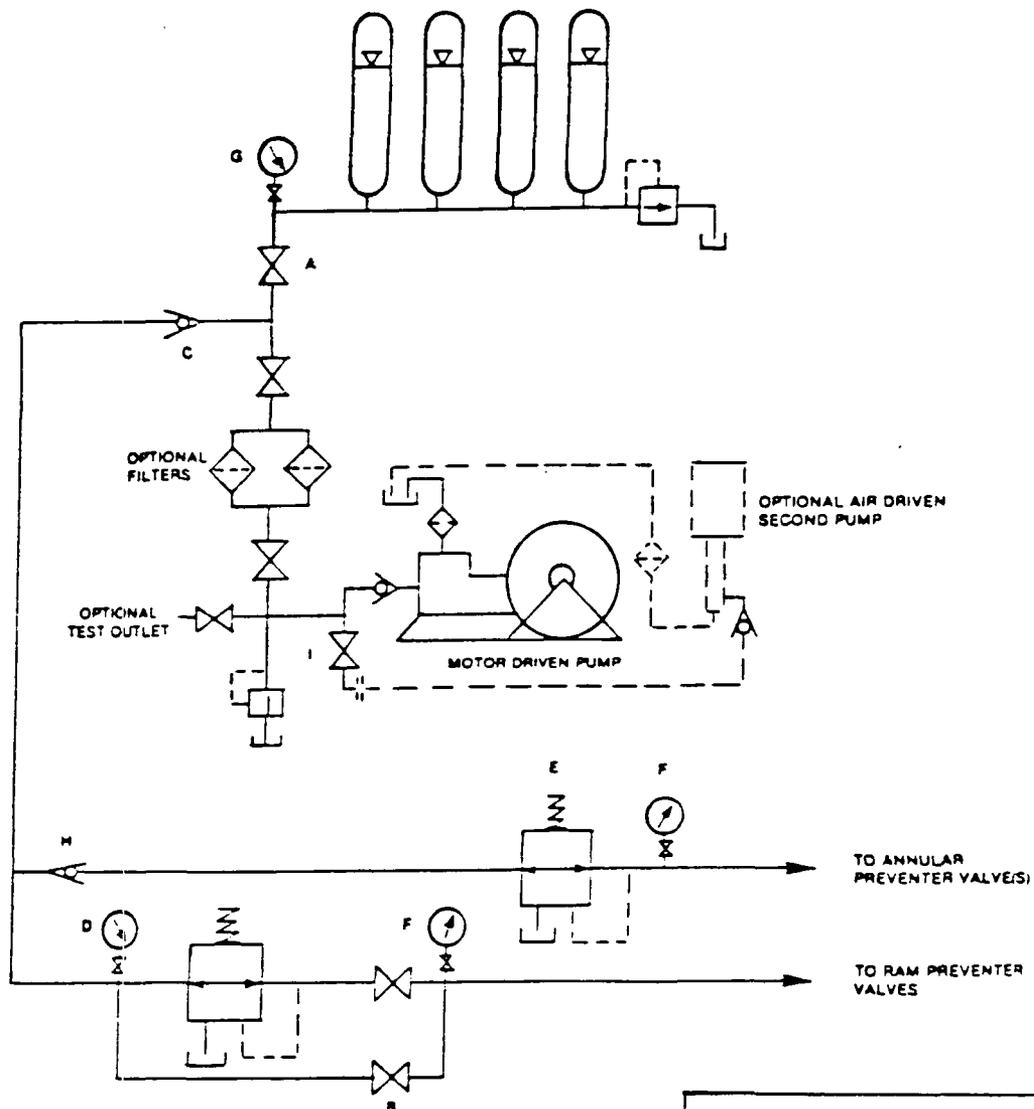


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

PENWELL ENERGY, INC.
CHAMA "8" FEDERAL # 1
UNIT "B" SECTION 8
T17S-R27E EDDY CO. NM

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

05/10/99 07:36:06
OGOMES -TPGF
PAGE NO: 2

Sec : 08 Twp : 17S Rng : 27E Section Type : NORMAL

L	K	J	I
40.00	40.00	40.00	40.00
CS	CS	CS	CS
VA1551 0000 02/02	VA1551 0000 02/02	VA1551 0000 02/02	VA1551 0000 02/02
YATES PETROLEUM C	YATES PETROLEUM C	YATES PETROLEUM C	YATES PETROLEUM C
			A
M	N	O	P
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

05/10/99 07:35:43
OGOMES -TPGF
PAGE NO: 1

Sec : 08 Twp : 17S Rng : 27E Section Type : NORMAL

D	C	B	A
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
		C	
E	F	G	H
40.00	40.00	40.00	40.00
CS	CS	CS	CS
VA1551 0000 02/02	VA1551 0000 02/02	VA1551 0000 02/02	E05313 0000 06/61
YATES PETROLEUM C	YATES PETROLEUM C	YATES PETROLEUM C	CHEVRON U S A INC

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12