



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

June 29, 1999

Penwell Energy, Inc.  
600 North Marienfield – Suite 1100  
Midland, Texas 79701  
Attention: Bill Pierce, Operations Manager

Telefax No. (915) 683-4514

*Administrative Order NSL-4322*

Dear Mr. Pierce:

Reference is made to the following: (i) your application dated June 8, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Penwell Energy, Inc.'s ("Penwell") request for an unorthodox oil well to test the Entrada formation with the proposed Penistaja Federal "23" Well No. 1 (API No. 30-043-20947) to be drilled 1413 feet from the North line and 483 feet from the East line (Unit H) of Section 23, Township 20 North, Range 4 West, NMPM, Sandoval County, New Mexico.

Pursuant to Division Rule 104.B(2)(c) the SE/4 NE/4 of Section 23, being a standard 40-acre oil spacing and proration unit for wildcat Entrada oil production, is to be dedicated to this well.

The subject application has been duly filed under the provisions of Division Rule 104.F.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the potentially oil productive interval of the Entrada formation than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit.

Further, the NE/4 of Section 23 is a single Federal lease (lease No. NM-100800) in which Penwell is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract other than Penwell.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

Lori Wrottenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Albuquerque