

5/22/2014 DATE IN	SUSPENSE	MAM ENGINEER	5/22/2014 LOGGED IN	NSP TYPE	PMAM1414229700 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☒ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

-NSP 1987
-HPOC, LLC
246238
Well
-Torneon Wash 36
State #1
30-031-21006
Pool
-Arenas Blanca-
Entrada
2285

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[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
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Butch Butler

Print or Type Name

Butch Butler

Signature

Manager, HPOC, LLC

Title

5/21/2014

Date

bbutler@highplainsop.com

e-mail Address

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Form C-102

Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-031-21006	² Pool Code 2285	³ Pool Name ARENA BLANCA-ENTRADA
⁴ Property Code	⁵ Property Name TORREON WASH 36 STATE	⁶ Well Number 1
⁷ GRID No. 246238	⁸ Operator Name HPOC, LLC	⁹ Elevation 6636' GL

¹⁰ Surface Location

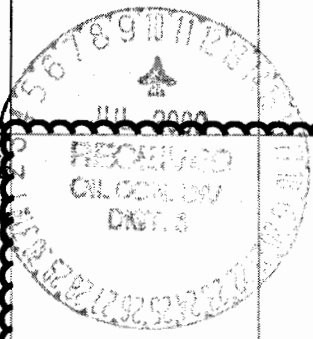
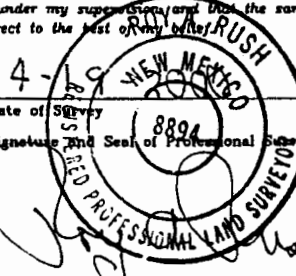
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	36	20-N	5-W		2143	SOUTH	1223	EAST	McKINLEY

¹¹ 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
1	36	20N	5W		2119	SOUTH	1225	EAST	McKINLEY

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

¹⁶ 160 ACRE NON-STANDARD PRORATION UNIT COMPRISING THE ARENA BLANCA-ENTRADA POOL FIELD BOUNDARIES, BEING THE S/2 OF THE NE/4 AND THE N/2 OF THE SE/4	HPOC State Lease VB1724 Comprising the E2 of section 36	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature <u>BUTCH BUTLER</u> Printed Name <u>MANAGER</u> Title <u>MAY 21, 2014</u> Date
N.M. STATE PLANE COORDINATES CENTRAL ZONE, NAD 1927 LAT: 35° 55' 08" N LONG: 107° 18' 46" W	 FD. U.S.G.L.O. BRASS CAP 1923	¹⁸ SURVEYOR CERTIFICATION 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 knowledge and belief Date of Survey <u>4-19-14</u> Signature and Seal of Professional Surveyor:  Certificate Number <u>8894</u>
FD. BLM BRASS CAP 1925	N 89-52-26 W 5279.55'	FD. U.S.G.L.O. BRASS CAP 1923



Wednesday, May 21, 2014

Michael McMillan
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

***Re: Arena Blanca–Entrada Pool; Application for Administrative Approval for
“Non-Standard Proration Unit”***

Dear Michael:

HPOC, LLC does hereby apply for administrative approval for a Non-Standard Proration Unit (NSP) in the Arena Blanca–Entrada Pool. HPOC plans to re-enter and attempt to re-establish production in the previously drilled Penwell Energy Torreon Wash 36 State #1. The API number for this well is 30-031-21006. The surface location is 2,143' FSL & 1,223' FWL (Unit I) of section 36-T20N-R5W, McKinley County, New Mexico. HPOC and its working interest group own 100% of the leasehold in the east half of section 36. This is New Mexico State Land Office lease VB1724. See the accompanying C-102, with lease ownership shown in yellow and the requested NSP outlined, being the S/2 of the NE/4 and the N/2 of the SE/4.

The Arena Blanca-Entrada Oil Pool was created by Division Order No. R-8120, dated January 1, 1986. The pool was defined as the S/2 NE/4 and the N/2 SE/4 of section 36, with standard 40-acre oil well spacing & proration units. Prior to drilling their well (spud 12/30/2000), Penwell submitted an NSL for this location, which was approved on October 18, 2000. The Administrative Order is NSL-2053-A.

In addition to this NSL order, Penwell also applied for Special Pool Rules for the Arena Blanca Entrada Oil Pool to include provisions for 160-acre spacing and proration units with wells no closer than 660' from a spacing unit boundary. Testimony at the Examiner Hearing before Mark Ashley on November 16th, 2000 and the C-102 submitted at this hearing indicates Penwell desired a non-standard proration unit at that time, being the same lands in the S/2 NE/4 and N/2 SE/4 that HPOC is requesting for the NSP in this application. At the hearing, Examiner Ashley asked if Penwell was prepared to file an administrative application seeking approval of the NSP as soon as the current application was approved. They stated they were. The public record indicates this NSP was never submitted by Penwell. HPOC now desires to have this same NSP approved.

The Oil Conservation Division approved temporary pool rules for the Arena Blanca-Entrada Pool on January 31, 2001, Case No. 12540, Order No. R-11526. On June 17, 2002, following hearing on April 18, 2002, the Division continued in effect until further order by the Division, the Temporary Special Pool Rules for the Arena Blanca-Entrada Pool, located in Section 36, Township 20 North, Range 5 West NMMP, McKinley County, New Mexico as established by Division Order No. R-11526.

The current 160-acre spacing and proration units in Order No. R-11526 are standard governmental quarter sections. In this case, for the E/2 of section 36, the units are the NE/4 and the SE/4. As HPOC and its owner group hold 100% of the leasehold interest in this E/2, with common interest across the entire lease, no notice is required as no different owners would be impacted by granting this 160-acre NSP comprised of the S/2 NE/4 and N/2 SE/4.


HPOC has carefully studied the 3D seismic available over the project area and has interpreted the producing Entrada dune reservoir to lie in a north-northwest to south-southeast direction.

The crest of this dune was targeted in the original Penwell Torreon Wash 36 State #1 well based on the same seismic data now utilized by HPOC for its interpretation. A copy of the original seismic map submitted by Penwell at their Case 12540 hearing is included in this application. All data for this field indicates economic reserves of oil remain recoverable by producing the well under high-volume lift, as is typical of Entrada accumulations. Penwell never produced their well under high-volume lift. HPOC believes one well will drain the remaining reserves in this pool.

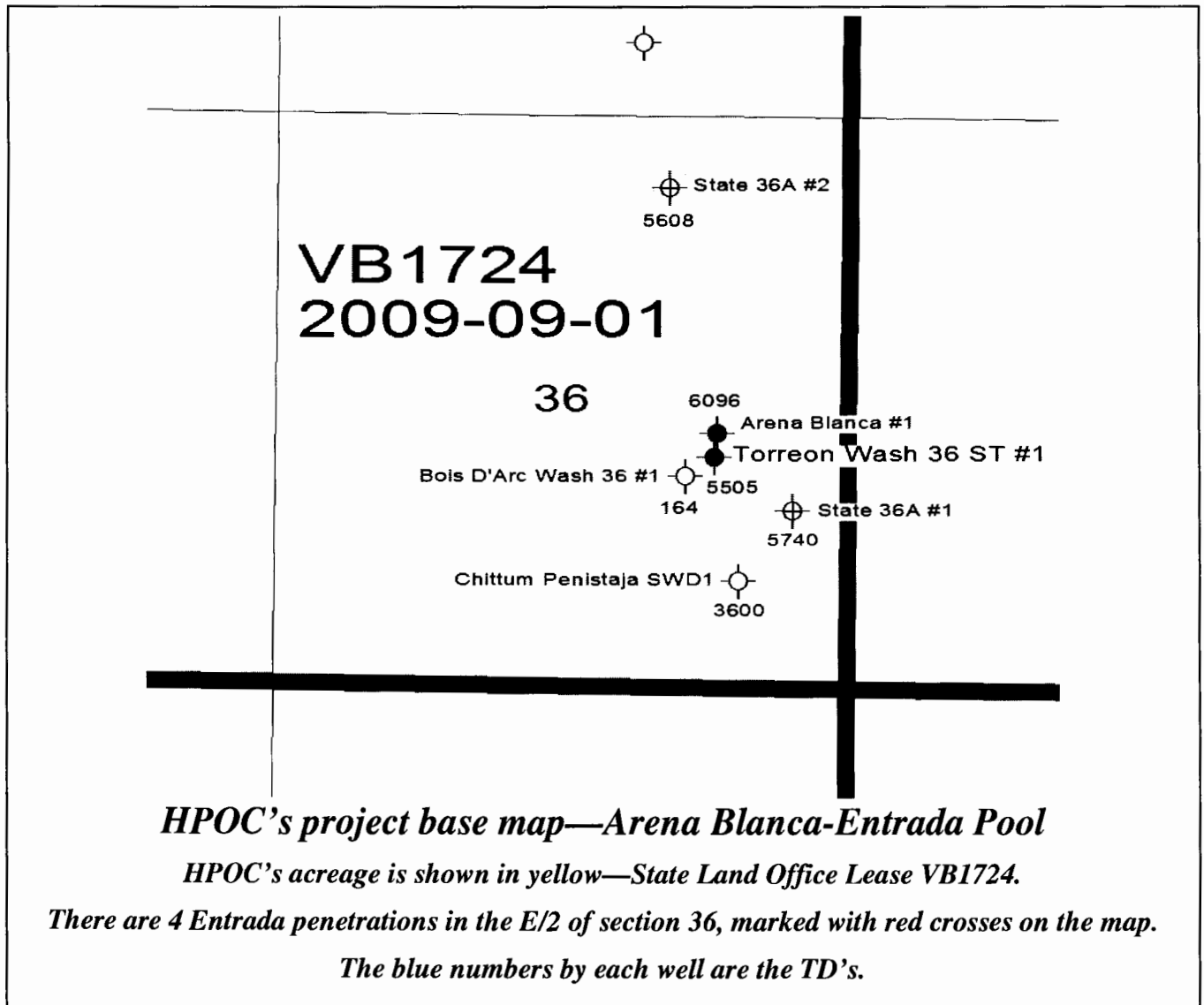
So, to conserve waste and maximize recovery from the Arena Blanca-Entrada pool, HPOC respectfully request that administrative approval be granted for a "Non-Standard Proration Unit" for its re-entry of the Torreon Wash 36 State #1 well.

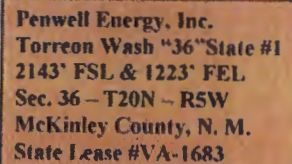
Please direct any questions to me at the contact points below.

Yours truly,



Arthur W. (Butch) Butler III
Manager-HPOC, LLC





**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12540
ORDER NO. R-11526**

**APPLICATION OF PENWELL ENERGY, INC. FOR SPECIAL POOL RULES
FOR THE ARENA BLANCA-ENTRADA OIL POOL, MCKINLEY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 16, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 31st day of January, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Penwell Energy, Inc. ("Penwell") seeks the promulgation of special pool rules for the Arena Blanca-Entrada Oil Pool to include provisions for 160-acre spacing and proration units with wells to be located no closer than 660 feet to any boundary of a proration unit.

(3) The Arena Blanca-Entrada Oil Pool was created by Division Order No. 8120, issued in Case No. 8772 and dated January 10, 1986, and currently includes the following acreage within the Entrada formation:

Township 20 North, Range 5 West, NMPM
Section 36: S/2 NE/4, N/2 SE/4.

(4) The Arena Blanca-Entrada Oil Pool is currently governed by statewide rules that provide for 40-acre spacing and proration units with wells to be located no closer than 330 feet to any boundary of a proration unit.

(5) There are currently no wells producing from the Arena Blanca-Entrada Oil Pool.

(6) Penwell proposes to drill its Torreon Wash "36" Well No. 1 at an unorthodox well location 2143 feet from the South line and 1223 feet from the East line (Unit 1) of Section 36, Township 20 North, Range 5 West, NMPM, McKinley County, New Mexico to a sufficient depth to test the Entrada formation. The unorthodox location was approved by Division Administrative Order NSL-2053-A dated October 18, 2000.

(7) The NE/4 SE/4 of Section 36 is to be dedicated to the subject well in order to form a standard 40-acre oil spacing and proration unit within the Arena Blanca-Entrada Oil Pool.

(8) Penwell presented evidence demonstrating that:

(a) the Torreon Wash "36" Well No. 1 is located on an isolated sand dune structure within the Entrada formation;

(b) one well is capable of effectively and economically draining the entire reservoir, and no other wells will need to be drilled;

(c) the isolated sand dune structure is located such that a 160-acre non-standard spacing and proration unit will be required to effectively and economically drain the entire reservoir;

(d) wells completed in the Entrada formation typically produce such large quantities of water that producing a well at an allowable rate based on 40-acre spacing would be uneconomic;

(e) all of Section 36 comprises a single State lease (Lease No. VA-1683) that is leased by Penwell; and

(f) all offsetting acreage is leased by Penwell.

(9) Division records indicate there are several Entrada pools currently spaced on 160 acres within this general area, namely the Southeast Arena Blanca-Entrada, Papers Wash-Entrada, and Eagle Mesa-Entrada Pools.

(10) No party appeared at the hearing or objected to the application.

(11) To prevent waste and protect correlative rights, temporary special pool rules providing for 160-acre spacing and proration units should be issued for the subject pool.

(12) The temporary special pool rules should provide for designated well locations no closer than 660 feet to any outer boundary of a proration unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

(13) Pursuant to Division Rules No. 505.A. and 506.A., the subject pool should be assigned a depth bracket allowable of 382 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(14) This case should be reopened at an examiner hearing in January, 2002, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special rules for the Arena Blanca-Entrada Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Penwell Energy, Inc., the temporary special pool rules for the Arena Blanca-Entrada Pool are hereby adopted as follows:

**TEMPORARY SPECIAL POOL RULES FOR THE
ARENA BLANCA-ENTRADA POOL**

RULE 1. Each well completed in or recompleted in the Arena Blanca-Entrada Pool or in the Entrada formation within two miles thereof, and not nearer to or within the limits of another designated Entrada pool, shall be spaced, drilled, operated and produced in accordance with these rules.

RULE 2. Each well completed or recompleted in the Arena Blanca-Entrada Pool shall be located on a unit containing 160 acres, more or less, which consists of the NE/4, SE/4, SW/4 or NW/4 of a single governmental section.

RULE 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified

mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 20 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 660 feet to any outer boundary of a proration unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard 160-acre oil proration unit shall be based on a depth bracket allowable of 382 BOPD with a limiting GOR of 2000 cubic feet of gas per barrel of oil. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED THAT:

(2) The location of all wells presently drilling to or completed in Arena Blanca-Entrada Pool or in the Entrada formation within two miles thereof, and not nearer to or within the limits of another designated Entrada pool, are hereby approved. The operator of any well having an unorthodox location shall notify the Division's Aztec District Office in writing of the name and location of the well within 30 days from the date of this order.

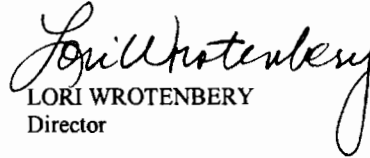
(3) Pursuant to Paragraph A of Section 70-2-18, NMSA 1978, existing oil wells in the Arena Blanca-Entrada Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing and proration units established by the Division and dedicated thereto. Failure to file a new Form C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

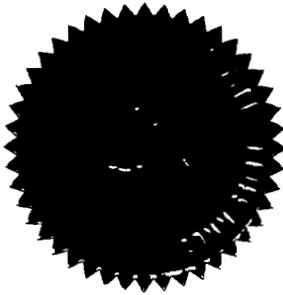
(4) This case shall be reopened at an examiner hearing in January, 2002, at which time the operators in the Arena Blanca-Entrada Pool shall appear and show cause why the temporary special rules for the pool set forth herein should not be rescinded.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director



S E A L

012006

October 18, 2000

Penwell Energy, Inc.
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Rec: 8-29-00
Sup: 9-18-00
Completed: 10-16-00
Released: 10-18-00

Telefax No. (505) 983-6043

Attention: William F. Carr

Administrative Order NSL-2053-A

Dear Mr. Carr:

Reference is made to the following: (i) your initial application on behalf of the operator Penwell Energy, Inc., L.L.C. ("Penwell"), dated August 29, 2000, as amended by letter dated October 16, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file on Division Administrative Order NSL-2053: all concerning Penwell's request for an unorthodox Entrada oil well for its Torreon Wash "36" State Well No. 1 to be drilled 2143 feet from the South line and 1223 feet from the East line (Unit I) of Section 36, Township 20 North, Range 5 West, NMPM, McKinley County, New Mexico. The NE/4 SE/4 of Section 36 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit within the Arena Blanca-Entrada Oil Pool.

It is our understanding that Penwell is seeking an exception to New Mexico Oil Conservation Division ("Division") Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, based on interpretation of a 3-D seismic survey of the immediate area and from past well bore completions in the Entrada within this 40-acre unit, whereby it contends that a well drilled at the proposed location within the subject 40-acre unit will be at a more favorable geologic position within the potentially oil productive interval of the Entrada formation.

It is further understood that all of Section 36 is included within a single State lease (lease No. VA-1683) in which Penwell is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract within the Entrada interval other than Penwell.

This application has been duly filed under the provisions of Division Rule 104.F,

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 Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe
File: NSL-2053

REMARKS: Division Administrative Order NSL-2053, dated May 23, 1985, and Division Order No. R-10025, issued in Case No. 10865 ~~and~~ dated December 1, 1993, which orders dealt with Entrada development within this 40-acre tract shall be placed in abeyance until further notice.

McMillan, Michael, EMNRD

From: Jones, William <wjones@slo.state.nm.us>
Sent: Thursday, May 22, 2014 10:29 AM
To: McMillan, Michael, EMNRD
Subject: RE: HPOC; Docs for Arena Blanca Torreon Wash 36 State #1 NSP

add records

Hey Mike,
I just got off a long phone call with Butch

This is State Lands, but the NSP looks good to me.

Thanks for everything,


Will

From: Butch Butler [<mailto:bbutler@highplainsop.com>]
Sent: Wednesday, May 21, 2014 5:04 PM
To: Mike McMillan; Jones, William
Cc: Richard Mrlik; Andy Frost; Mo Butler
Subject: HPOC; Docs for Arena Blanca Torreon Wash 36 State #1 NSP

Mike & Will: Attached are the docs put together for our NSP. I included the Case 12540 examiner hearing doc, so you can see the pertinent info regarding Penwell's NSP discussed at the hearing. I've highlighted these sections in pages 8 & 11 in the PDF. I also attached Exhibit 2, the C-102 referenced in the hearing.

Consider these a draft at this point. Let me know what else you'd like to see included in our application, or any suggestions you have for changes to what I've done here.

Thanks,
b


Butch Butler – Manager
PO Box 5046
Buena Vista, CO 81211
719-395-8059 office
719-207-0164 cell

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