

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

2040 South Pacheco, Santa Fe, NM 87505



0024353491

ADMINISTRATIVE APPLICATION COVERSHEET

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

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [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 - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ 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

[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] INFORMATION / DATA SUBMITTED IS COMPLETE - Certification

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

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

Bill Pierce
Print or Type Name

Bill Pierce
Signature

Manager of Operations
Title

Aug. 4, 2000
Date

OIL CONSERVATION DIV.

00 AUG 29 PM 12:25

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO

JACK M. CAMPBELL
1916-1999

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: law@westofpecos.com

August 29, 2000

HAND-DELIVERED

Ms. 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.
00 AUG 29 PM 12:25

Re: *Application of Penwell Energy, Inc. for Administrative Approval of an Unorthodox Well Location for its Torreon Wash "36" State Well No. 1, 2143 feet from the South line and 1223 feet from the East line (Unit I) of Section 36, Township 20 North, Range 5 West, N.M.P.M., McKinley County, New Mexico.*

Dear Ms. Wrotenbery:

Pursuant to the provisions of Division Rule 104 F adopted on August 12, 1999, Penwell Energy, Inc. hereby seeks administrative approval of an unorthodox well location for its Torreon Wash "36" State Well No. 1 at a point 2143 feet from the South line and 1223 feet from the East line (Unit I) of Section 36, Township 20 North, Range 5 West, N.M.P.M., McKinley County, New Mexico. There are no secondary objectives in this proposed well. ~~A standard 160-acre spacing and proration unit comprised of the SE 1/4 of Section 36 will be dedicated to the well in the Entrada formation, Arena Blanca-Entrada Pool.~~

The well will be drilled to a depth sufficient to test the Entrada formation. This location is unorthodox because it is governed by the Division's statewide rules which provide for wells ~~on 160-acre spacing units~~ to be located no closer than 660 feet to any outer boundary of the dedicated unit.

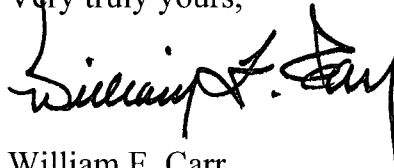
Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
August 29, 2000
Page 2

As you will see from the enclosed application, this unorthodox location is required by geological conditions in the Entrada formation. The location was selected based on a 3D seismic survey. Attached to the application is an Entrada Time Structure Map of the subject area which shows the proposed unorthodox location. This map demonstrates that moving to the proposed unorthodox location results in a substantial gain in reservoir quality rock.

Also attached is a plat as required by Rule 104.F (3) showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units. Penwell Energy, Inc. is the designated operator of all the immediately adjoining and diagonal spacing units in the Entrada formation toward which the unorthodox well location encroaches. Accordingly, there are no affected parties to whom notification of the application should be provided.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and a stylized "C".

William F. Carr
Attorney for Penwell Energy, Inc.

WFC/md

Enclosures

cc: Mr. Bill Pierce
Penwell Energy, Inc.
1100 ARCO Building
600 N. Marienfield
Midland, Texas 79701

EXHIBIT C

AFFECTED PARTIES

Application of Yates Petroleum Corporation for
administrative approval of an unorthodox well location

Quest AQS State Well No. 1

660 feet from the South line and 1980 feet from the East line

Section 3, Township 24 South, Range 33 East, NMPM

Lea, New Mexico



Enron Oil & Gas Company
4000 North Big Spring
Suite 500
Midland, Texas 79705

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

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

**REQUEST FOR ADMINISTRATIVE APPROVAL FOR NON-STANDARD
LOCATION FOR PENWELL ENERGY INC.
TORREON WASH "36" STATE #1 OIL WELL
2,143' FSL & 1,223' FEL "I"
Section 36 – T20N – R5W
McKinley County, New Mexico
API # 30-031-21006**

1. The well is located on BLM surface and State of New Mexico minerals. The state lease number for this well is VA-1683, property code 26250. (Approved C-101 attached). The existing location is a non-standard (97" from east quarter-quarter line and 497' from the ½ section line of unit letter "I") location as per OCD oil well rules.
2.  The attached C-102 shows the well location and proration unit in the SE/4 of Section 36 which is a 160-acre oil-proration unit as per the Arena Blanca - Entrada pool rules.
3. According to NMOCD records, there is no production within a one (1) mile radius of the location.
4.  All offset 40 acre proration units are owned by Penwell Energy as per the attached acreage map. All Penwell / SJJV held acreage is colored yellow. All other acreage is colored blue or red.
5. The location was selected based on a 1998 3-D seismic survey with lines spaced @ quarter mile intervals. A standard drilling unit does not allow drilling at the highest point of the structure as evidenced by the attached 3-D seismic image for this section.
6. Directional drilling is not feasible because it is not cost effective for this wildcat well.

7. I hereby certify that notice has been sent to the surface management and mineral management agency responsible for this acreage, there are no off-setting operators on one or more sides which adjoin the applicant's spacing unit, or the single closest corner to the location and that the information presented is true and correct to the best of my knowledge. (Bureau of Land Management Albuquerque field office.)

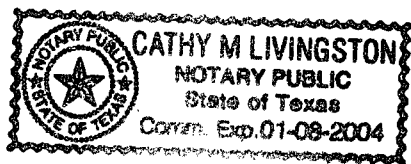
Signature: Bill Pierce
Name & Title: Bill Pierce – Manager of Operations
Date: August 4, 2000

STATE OF TEXAS)
) SS:
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me on this 4th day of August, 2000 by Bill Pierce.
Witness my hand and seal.

Cathy M Livingston
Notary Public – Cathy Livingston

My commission expires: 01-08-2004

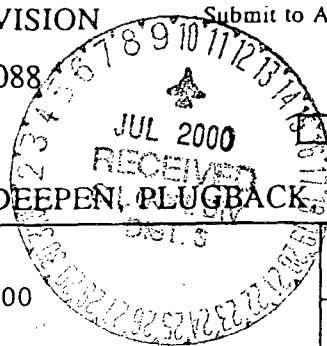


District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-101
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088



☒ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: Penwell Energy, Inc. 600 N. Marienfeld, Ste. 1100 Midland, Texas 79701		OGRID Number 147380
		API Number 30-031-21006
Property Code 26250	Property Name TORREON WASH "36" STATE	Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
"1"	36	20N	5W		2,143'	South	1,223'	East	McKinley

Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
Proposed Pool 1 Arena Blanca-Entrada					Proposed Pool 2				

Work Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 6636
Multiple No	Proposed Depth 6,000'	Formation Entrada	Contractor Unknown	Spud Date Upon Approval

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	9 5/8"	36#	350'+/-	275	Surface
8 3/4"	7"	23#	6,000'+/-	as needed to 3,000'	3,000' surface casing

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Penwell proposes to drill to a depth sufficient to test the Entrada formation. Surface hole will be drilled utilizing fresh water. 8 3/4" production hole will be drilled utilizing fresh water mud weighing from 8.3 - 8.8 ppg. This weight is sufficient to control any pressure in the well. No over pressured zones will be penetrated. A 3,000# WP BOP and choke manifold will be utilized while drilling the 8 3/4" production hole. (See attached Exhibit "A" & "B".)

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Bill Pierce

Printed name:

Bill Pierce

Title:

Manager of Operations

Date:

July 7, 2000

Phone:

915 683-2534

OIL CONSERVATION DIVISION

Approved by:

Title: DEPUTY OIL & GAS INSPECTOR, DIST. 5

Approval Date: 7-11-00

Expiration Date: JUL 11 2001

Conditions of Approval:

Attached ☐

HOLD C104 FOR NSL

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

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	² Pool Code	³ Pool Name
30-031-21006	2285	Arena Blanca-Entrada
⁴ Property Code	⁵ Property Name	⁶ Well Number
26250	TORREON WASH "36" STATE	1
⁷ GRID No.	⁸ Operator Name	⁹ Elevation
147380	PENWELL ENERGY INCORPORATED	6636'

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

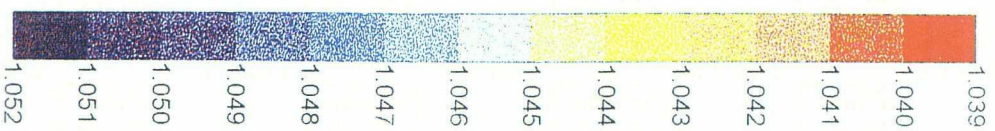
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No.					

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

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			<div style="text-align: right; margin-bottom: 10px;"> 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief </div> <div style="text-align: right; margin-bottom: 10px;"> Signature Bill Pierce Printed Name Manager of Operations Title August 4, 2000 Date </div>
	36		<div style="text-align: right; margin-bottom: 10px;"> 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plan 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. </div> <div style="text-align: right; margin-bottom: 10px;"> Date of Survey Signature and Seal of Professional Surveyor: 8894 Certificate Number </div>
FD. BLM BRASS CAP 1925	N.M. STATE PLANE COORDINATES CENTRAL ZONE, NAD 1927 LAT: 35° 55' 08" N LONG: 107° 18' 46" W	<div style="text-align: right; margin-bottom: 10px;"> 1223' 2143' 2,642.03' N 00-02-11 W </div>	FD. U.S.G.L.O. BRASS CAP 1923
	N 89-52-26 W 5279.55'		FD. U.S.G.L.O. BRASS CAP 1923

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Scale: 1" = 1000' CI: 1 mil

Penwell Energy, Inc.
Torreon Wash "36" State #1
2143' FSL & 1223' FEL
Sec. 36 - T20N - R5W
McKinley County, N. M.
State Lease #VA-1683

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

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

August 4, 2000

Bureau of Land Management
435 Montano NE
Albuquerque, New Mexico 87107-4935

RE: NSL Application for Torreon Wash "36" State #1

As the owner of the surface for the below described well and pursuant to New Mexico Oil Conservation Division Rules, this registered letter shall serve as notification of the following non-standard location for the above referenced well. This letter is strictly for notification purposes only and no action is required by the BLM regarding this matter.

Well Name: Torreon Wash "36" State #1
State Lease Number: VA-1683
Legal Description: 2,143'' FSL & 1,223' FEL, Sec. 36 – T20N – R5W
Mckinley County, New Mexico.
Applicant's Name: Penwell Energy, Inc.
Applicant's Address: 600 N. Marienfeld Ste. 1100
Midland, TX. 79701

Additional Information: An application for a non-standard location will be filed with the NMOCD this week. If they determine the application complies with the applicable administrative regulations, approval will be granted.

The New Mexico Oil Conservation Division address is:
2040 S. Pacheco
Santa Fe, New Mexico 87504

Sincerely,



Bill Pierce
Manager of Operations

