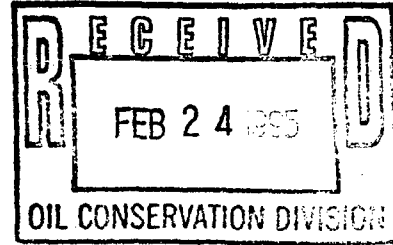


PERMITS WEST, INC.
PROVIDING PERMITS for LAND USERS
37 Verano Loop, Santa Fe, New Mexico 87505 (505) 466-8120

February 25, 1995

Mike Stogner
NM Oil Conservation Div.
2040 South Pacheco
Santa Fe, NM 87504



Dear Mike,

On behalf of EnRe Corporation I am enclosing two copies each of two applications for non-standard locations. Both wells were drilled into the Mancos in 1992, completed, and later plugged back to the Mesa Verde. The applications are for non-standard locations in the Blanco-Mesa Verde. Both are too close to quarter section lines. Closest lease line is at least 3,089' away. Closest existing well of any type is at least 3,110' away.

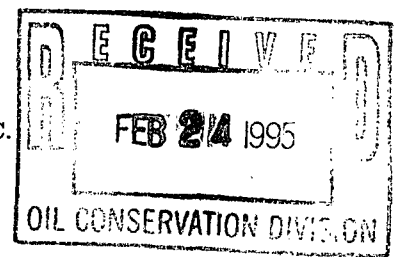
Please call me if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brian Wood".

Brian Wood

cc (w/ encl.): Ernie Busch
Mitch Michelson



REQUEST FOR ADMINISTRATIVE APPROVAL FOR NON-STANDARD LOCATION
FOR EnRe CORPORATION's LEAVRY CANYON 24 N #1 GAS WELL
IN THE BLANCO MESA VERDE POOL
1025' FSL & 2030' FWL SEC. 24, T. 27 N., R. 2 W., RIO ARRIBA COUNTY, NM

- I. The well is on Jicarilla Apache Tribal Trust surface and minerals. An onsite was held prior to drilling in 1992. Application for Permit to Drill is on file and the approved Form 3160-3 is attached.
- II. A C-102 (hachure marks are for proposed Mesa Verde unit, whole section was originally dedicated to the Mancos Gallup per R-9720) and map showing the well location, proration unit (S2 of Sec. 24 which totals 320 acres), and lease (all of T. 27 N., R. 2 W. is tribal lease 701-94-0010 and totals 16,958.57 ac.) are attached.
- III. There are no producing wells in 24-27n-2w or the eight surrounding sections. A map is attached showing the 24 N 1 well (square), quarter-quarter lines (dotted line), and proposed Mesa Verde spacing unit (dashed line). No existing Mesa Verde spacing units offset the spacing unit proposed for this well. There is only one lease/mineral agreement (701-94-0010) within a minimum 3,250' radius. It comprises all of T. 27 N., R. 2 W. EnRe and the Jicarilla Apache Tribe are the only royalty or working interest owners.
- IV. A composite copy copy of the Leavry Canyon and Los Indios Canyon 7.5' USGS maps are attached. Lease is marked by a solid line. The proposed wellsite is marked by a square. Proposed proration unit (320 ac.) is marked by dashed lines. Quarter-quarter lines are dotted lines. No existing well is with a one mile radius. No existing Mesa Verde spacing units offset the spacing unit proposed for this well. There are no proposed wells in the surrounding eight sections.
- V. Request for a non-standard location is based on the recompletion exception in Rule 104. F. (1).
- VI. Archaeology is not an issue.

VII. Location is outside of the orthodox drilling window due to the presence of EnRe's existing wellbore which was originally permitted and drilled into the West Puerto Chiquito Mancos Extension pool, later called the Gavilan Mancos Extension pool. It has since been plugged back.

VIII. Directional drilling is not feasible because it is not cost effective. EnRe's recent Cedar Canyon 22-G well (22-28n-1w) required 4 sidetracks.

IX. I hereby certify that notice has been sent to the following lessees, lessors, surface management agencies, operators of spacing units, or owners of undrilled leases which adjoin the applicant's spacing unit on one or more of the two sides or the single closest corner to the proposed well and that the information is current and correct:

BIA
Jicarilla Apache Tribe

Kathryn Kokke Wood, Sec. Treasurer 2/22/95
Signature, Title, & Date

STATE OF New Mexico)
COUNTY OF Santa Fe) SS:

The foregoing instrument was acknowledged before me this 22nd day of February, 1995 by Kathryn Kokke Wood. Witness my hand and official seal.

[Signature]
Notary Public

My Commission Expires: 12/12/95

Business Address: 455 St. Michael's Drive Santa Fe

UNITED STATES
DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT 30-039-25229

5. LEASE DESIGNATION AND SERIAL NO.
Contract 701-90-0001

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
Jicarilla Apache

7. UNIT AGREEMENT NAME
N/A

8. FARM OR LEASE NAME
Jicarilla 24N

9. WELL NO.
24N-1

10. FIELD AND POOL OR WILDCAT
West Puerto Chiquito Mancos

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA
N 24-T27N-R2W

12. COUNTY OR PARISH
Rio Arriba

13. STATE
New Mexico

1a. TYPE OF WORK
DRILL ☒ DEEPEN ☐ PLUG BACK ☐

1b. TYPE OF WELL
OIL WELL ☒ GAS WELL ☐ OTHER ☐

SINGLE ZONE ☐ MULTIPLE ZONE ☐

2. NAME OF OPERATOR
American Hunter Exploration Ltd.

3. ADDRESS OF OPERATOR
410 - 17 Street, Suite #1220, Denver, Colorado 80202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface:
1025' FSL & 2030' FWL (SE SW) Sec 24 T27N R2W
At proposed prod. zone:
1025' FSL & 2030' FWL (SE SW) Sec 24 T27N R2W

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)
1025'

16. NO. OF ACRES IN LEASE
N/A

17. NO. OF ACRES ASSIGNED
TO THIS WELL
640

18. DISTANCE FROM PROPOSED*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.
N/A

19. PROPOSED DEPTH
7600 TVD

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
7357' GR This action is subject to technical and
procedural review pursuant to 43 CFR 3165.4
and appeal pursuant to 43 CFR 3166.4.

22. APPROX. DATE WORK WILL START*
September 5, 1992

PROPOSED CASING AND CEMENTING PROGRAM				QUANTITY OF CEMENT "GENERAL REQUIREMENTS"
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	
12 1/4"	8 5/8"	24#	400'	To surface
7 7/8"	5 1/2"	17#	7600'	To surface

A 12 1/4" vertical surface hole will be drilled to 400'. A 7 7/8" main hole will then be drilled to a total depth of approximately 7600'. At this point 5 1/2" casing will be run and cemented in accordance with NTL-FRA 90-1.

EXHIBITS ATTACHED

- "A" Location Survey Plat
- "B" Drilling Program
- "C" Wellbore Schematic
- "D" Blowout Prevention Diagram
- "E" Drilling Pad Layout

- "F" Cross Section of Drilling Pad
- "G" Drill Rig Layout
- "H" Access Road
- "I" Surface Use Program

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive 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.

SIGNED Bruce Thistle TITLE Drilling Technologist DATE August 25, 1992

(This space for Federal or State office use)

APPROVED
AS AMENDED

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____
CONDITIONS OF APPROVAL, IF ANY:

NMOCD

SEP-14 1992
AREA MANAGER

*See Instructions On Reverse Side

EXHIBIT A

State of New Mexico
Energy, Minerals and Natural Resources Department

RECEIVED
Form C-102
BLN Revised 1-1-99

OIL CONSERVATION DIVISION

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

92 SEP -1 PM 2:56

019 FARMINGTON, N.M.

1 to Appropr. Sec.
1 to Office
4 Leases - 4 copies
4 Maps - 3 copies

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

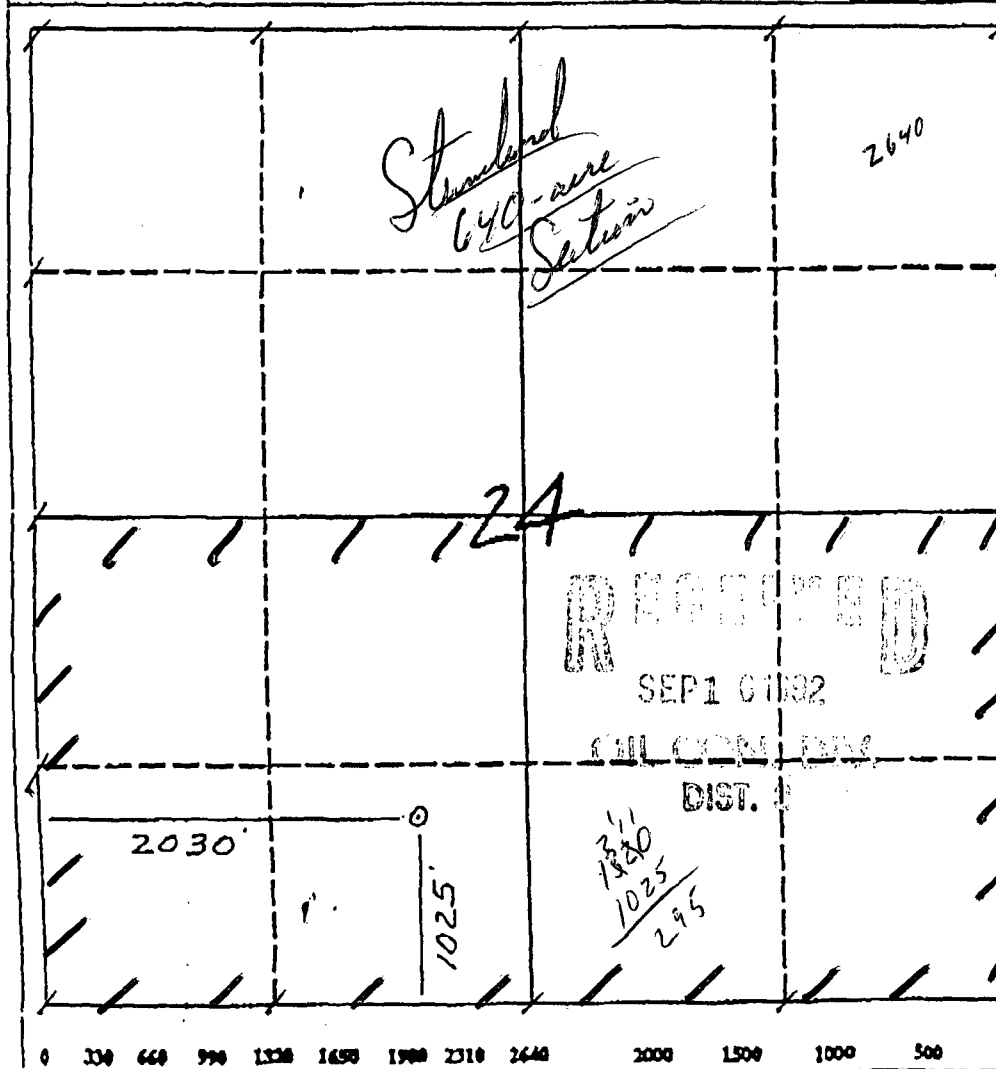
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator American Hunter Exploration Ltd.		Lease Jicarilla 24N		Well No. 1
Unit Letter N	Section 24	Township 27 North	Range 2 West	County Rio Arriba
Actual Footage Location of Well: 1025 feet from the South line and 2030 feet from the West line				
Ground level Elev. 7357'	Producing Formation Mancos/Gallup		Pool W. Puerto Chiquito Mancos	Dedicated Acreage: 640 Acres
<p>1. Outline the acreage dedicated to the subject well by colored pencil or leadpencil marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____</p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>				



OPERATOR CERTIFICATION

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

Bradley W. Salzman
Signature

Bradley W. Salzman
Printed Name

Operations Sup.
Position

American Hunter
Company

Aug. 31, 1992
Date

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.

8-19-92

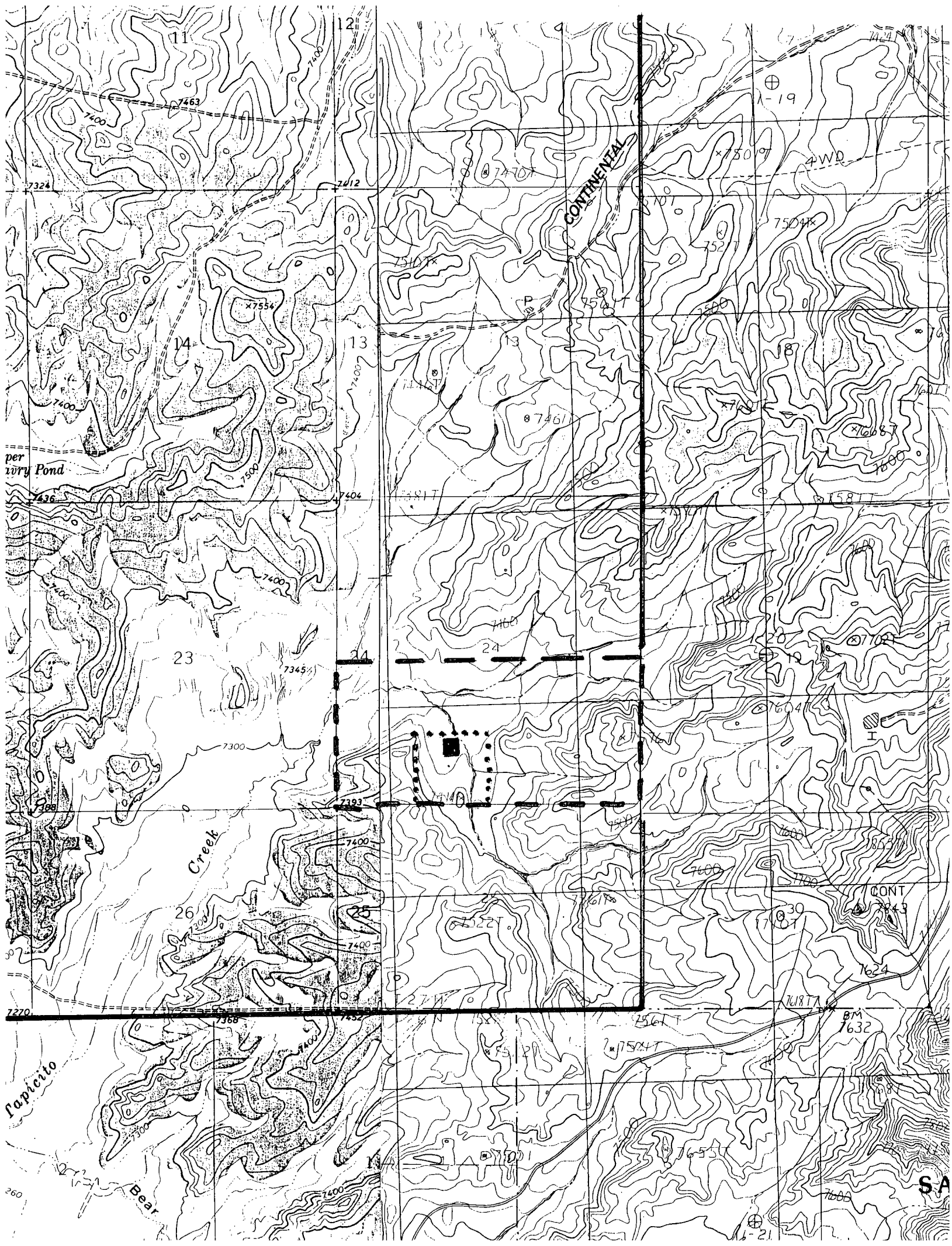
NEAL C. EDWARDS
Date Surveyed
Name of Surveyor

Signature of Professional Surveyor
Professional Surveyor

9357

NEAL C. EDWARDS
Signature of Professional Surveyor
Professional Surveyor

6857
Certificate No.



February 12, 1995

Darrell Tafoya
BIA Branch of Realty
P.O. Box 167
Dulce, NM 87528

Dear Darrell,

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following non-standard locations for wells. This letter is a notice only. No action need be taken unless you have questions or objections. EnRe is seeking approval for recompleting in the Mesa Verde for wells which were originally drilled into the Mancos. This will eliminate the need to drill new wells and disturb more land. The 24 N is 180' too close to the quarter section line between the SW4 and SE4. The 28 B is 335' too close to the north section line. The wells are $\approx 3,089'$ from the closest lease line (from 28 B to south line of T. 27 N., R. 2 W.).

Well Names: Leavry Canyon 24 N #1 and 28 N #1 wells

Legal Location: 1025' FSL & 2030' FWL Sec. 11 (24 B #1)

455' FNL & 1510' FEL Sec. 15 (28 N #1)

both T. 27 N., R. 2 W., Rio Arriba County, NM on 701-94-0010

Approximate Locations: ≈ 28 air miles south of Dulce, NM

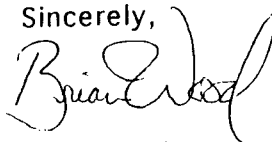
Applicant Name: EnRe Corporation (210) 826-0681

Applicant's Address: P.O. Box 6027, San Antonio, Tx. 78209

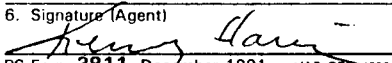
Submittal Information: Applications for non-standard locations will be filed with the NM Oil Conservation Division this week. If they determine the application complies with the applicable regulations, then it will be approved. The New Mexico Oil Conservation Division address is 2040 S. Pacheco, Santa Fe, NM 87504. Their phone number is (505) 827-7131.

Please call me if you have any questions.

Sincerely,



Brian Wood

SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Darrell Tafoya BIA Realty PO Box 167 Dulce, NM 87528		4a. Article Number 2 766 607 814	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature (Addressee)		7. Date of Delivery 2/14	
6. Signature (Agent) 		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1991 • U.S. GPO: 1990-323-402

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

PERMITS WEST, INC.

PROVIDING PERMITS for LAND USERS

17 Verano Loop, Santa Fe, New Mexico 87505

(505) 466-8120

February 12, 1995

Thurman Velarde
Oil & Gas Administration
P.O. Box 507
Dulce, NM 87528

Dear Thurman,

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following non-standard locations for wells. This letter is a notice only. No action need be taken unless you have questions or objections. EnRe is seeking approval for recompleting in the Mesa Verde for wells which were originally drilled into the Mancos. This will eliminate the need to drill new wells and disturb more land. The 24 N is 180' too close to the quarter section line between the SW4 and SE4. The 28 B is 335' too close to the north section line. The wells are $\approx 3,089'$ from the closest lease line (from 28 B to south line of T. 27 N., R. 2 W.).

Well Names: Leavry Canyon 24 N #1 and 28 N #1 wells

Legal Location: 1025' FSL & 2030' FWL Sec. 11 (24 B #1)

455' FNL & 1510' FEL Sec. 15 (28 N #1)

both T. 27 N., R. 2 W., Rio Arriba County, NM on 701-94-0010

Approximate Locations: ≈ 28 air miles south of Dulce, NM

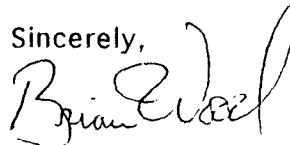
Applicant Name: EnRe Corporation (210) 826-0681

Applicant's Address: P.O. Box 6027, San Antonio, Tx. 78209

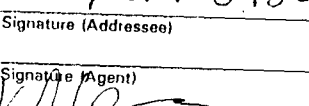
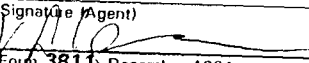
Submittal Information: Applications for non-standard locations will be filed with the NM Oil Conservation Division this week. If they determine the application complies with the applicable regulations, then it will be approved. The New Mexico Oil Conservation Division address is 2040 S. Pacheco, Santa Fe, NM 87504. Their phone number is (505) 827-7131.

Please call me if you have any questions.

Sincerely,



Brian Wood

SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Thurman Velarde Jicarilla Oil & Gas Admin. PO Box 507 Dulce, NM 87528		4a. Article Number 2 766 607 813	
Signature (Addressee) 		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Signature (Agent) 		7. Date of Delivery 2/16/95	
		8. Addressee's Address (Only if requested and fee is paid)	

Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

**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. 10536
Order No. R-9720**

**APPLICATION OF AMERICAN HUNTER
EXPLORATION, LTD. FOR AN UNORTHODOX
OIL WELL LOCATION, RIO ARriba COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 20, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of September, 1992, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, American Hunter Exploration, Ltd. (American Hunter), seeks an exception to Rule No. (4) of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as promulgated by Division Order No. R-6469-B, as amended, for its Jicarilla 24N-1 (27-2) Well to be drilled at an unorthodox oil well location 1000 feet from the South line and 2250 feet from the West line (Unit N) of Section 24, Township 27 North, Range 2 West, Undesignated West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. All of Section 24 is to be dedicated to this well forming a standard 640-acre spacing and proration unit for this pool.

(3) The proposed well is subject to the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, specifically Rule No. (4) which requires that wells be located no closer than 1650 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter section line.

(4) At the time of the hearing, the applicant requested that its proposed unorthodox location be amended to 1025 feet from the South line and 2030 feet from the West line (Unit N) of Section 24. According to testimony, the Jicarilla Apache Tribe, after conducting an on-site inspection, requested that the applicant move the location due to surface considerations.

(5) In addition, the applicant requested that the subject case not be readvertised in the interest of expediency and inasmuch as the newly proposed location is slightly less unorthodox than the location originally proposed.

(6) The request was granted by the Division and the subject case was taken under advisement.

(7) The subject well will be drilled to the Mancos formation at an estimated depth of 7,700 feet.

(8) The Mancos formation consists of a highly fractured shale and for a well in this formation to be a commercial producer it must intersect the natural fracture system in the reservoir.

(9) To locate the fracture system in the Mancos formation, seismic lines were shot across the proposed dedicated acreage.

(10) The location of these seismic lines was dictated, in part, by surface geology and topographic conditions and the seismic locations were approved by the Jicarilla Tribe.

(11) Although the seismic lines across Section 24 traverse only unorthodox locations as established by the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, these lines are at reasonable locations to enable the owners in this and offsetting tracts to gather data on and evaluate this formation.

(12) The proposed unorthodox location is on or in close proximity to a seismic line traversing Section 24 and shows what is interpreted to be the natural fracture system at this location.

(13) The drilling of a well at a standard location in this section cannot be justified because sufficient seismic data indicating the presence of a natural fracture system does not exist.

(14) Development of this spacing and proration unit with a well at the proposed unorthodox location is the most prudent location from which to develop this acreage to produce the reserves thereunder in the Mancos formation and should thereby prevent waste.

(15) The offsetting acreage to the east of the proposed unorthodox well location is operated by the applicant and is being developed as a Joint Venture Property with the Jicarilla Apache Tribe.

(16) The offsetting acreage to the south of the proposed unorthodox location is operated by the Jicarilla Apache Tribe and American Hunter and is being developed as a Joint Venture Property between the two parties.

(17) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(18) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

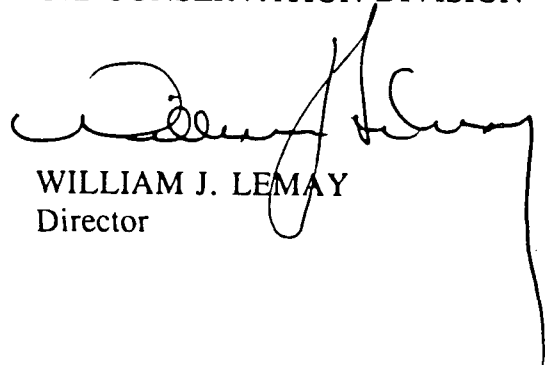
(1) The applicant, American Hunter Exploration, Ltd. is hereby authorized to drill its Jicarilla 24N-1 (27-2) Well at an unorthodox oil well location 1025 feet from the South line and 2030 feet from the West line (Unit N) of Section 24, Township 27 North, Range 2 West, Undesignated West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico.

(2) All of Section 24 shall be dedicated to the above-described well forming a standard 640-acre spacing and proration unit for this pool.

(3) Jurisdiction of this cause is 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


WILLIAM J. LEMAY
Director