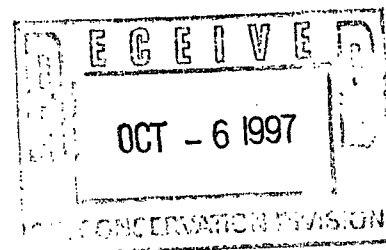


NSL 10/27/97



NSL-2PLS. 44



October 1, 1997

Michael E. Stogner
Chief Hearing Examiner/Engineer
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 San Pacheco Drive
Santa Fe, New Mexico 87505

RE: Re-Entry
Shell Oil Co.
Henshaw Deep Unit #9
Unit C
660' FNL & 1980' FWL
Sec.23,T16S,R30E
Eddy Co., NM

Dear Mr. Stogner:

Beach Exploration, Inc. plans to re-enter the Henshaw Deep Unit #9 and deepen to 11,800' as a Devonian and Atoka/Morrow test.

If a Devonian oil completion is made, the re-entry location would be a standard location. Beach Exploration, Inc. respectfully requests administrative approval for an unorthodox location, for the Atoka/Morrow reservoir, on the above referenced well due to the following reasons:

1) Economics considerations - Re-entry and deepening of existing P & A wellbore from 9,474' to 11,800' is estimated to be at least 1/3 less expensive than drilling of a new well at a standard location.

2) The Atoka reservoir produces in section 14 in the Parker and Parsley Henshaw Federal #1 well. This well has been producing since 1987 and is at a non-standard location, 330' FSL & 1750' FWL, Sec.14, T16S, R30E. Our proposed re-entry location is approximately 1,050' from this producer and would be in the same reservoir, if Beach makes an Atoka completion. Since the Parker and Parsley well has accumulated over 70,000 BO and .75 BCFG, the Atoka reservoir has suffered some depletion, which would also negatively effect the economics of drilling a new well.

Page 2 - Re-enter of Henshaw Deep Unit

3) Geologically, the Atoka sand is generally a narrow channel sand or sand bar deposit. Drilling at a standard location from the lease line would more than likely, be completed out of the channel, which increases the risk substantially.

4) Finally, since the Parker and Parsley well is at a non-standard location, 330 ft. from the lease line, we would like to protect and drain the reserves on our acreage.

A copy of the BLM file is attached of the Shell Henshaw Deep Unit #9 along with a surface map. If you should need any further information, please contact us. Thank you for your consideration concerning this matter.

Respectfully submitted

A handwritten signature in cursive script, appearing to read 'Sandy', is written above the printed name.

Charles "Sandy" Beach
Geologist

NUMBER OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL GAS
PRODUCTION OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT
 SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

FORM C-128
 Revised 5/1/57

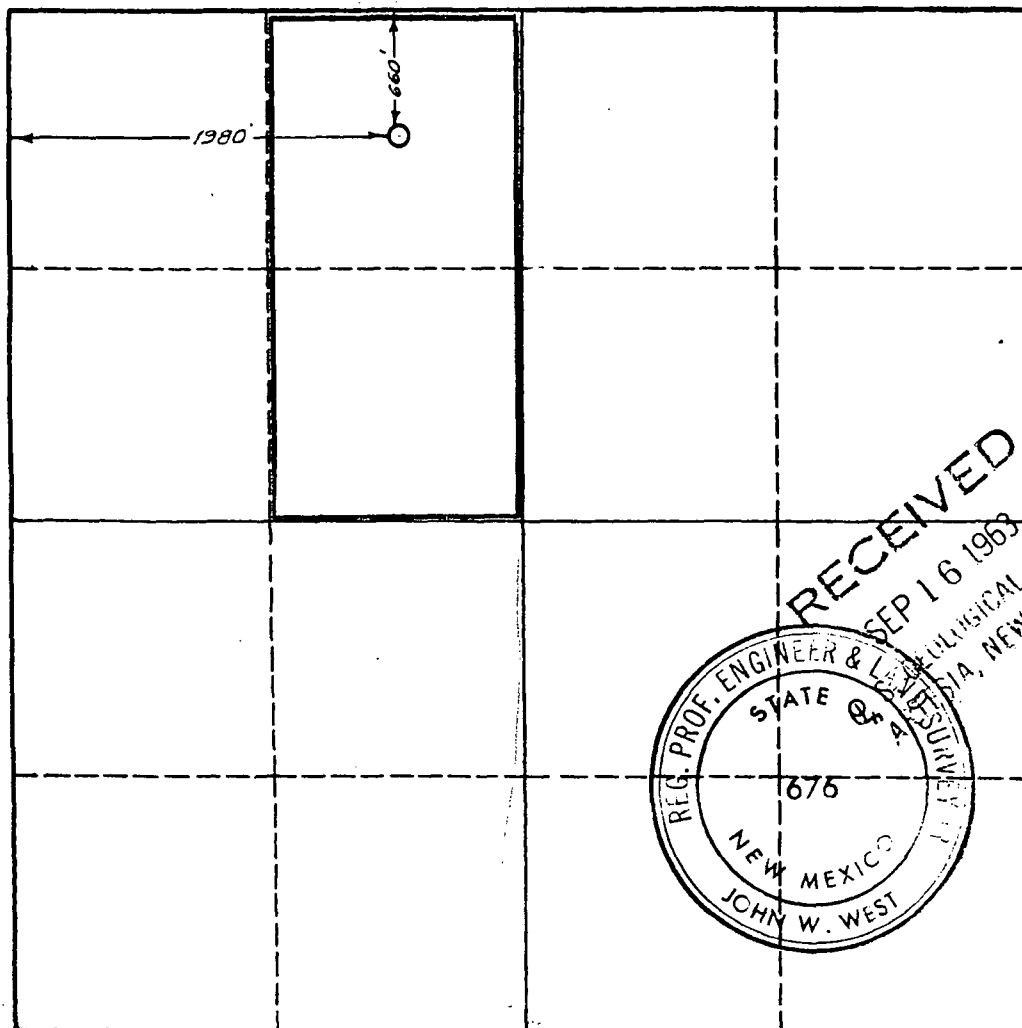
SECTION A

Operator Shell Oil Company		Lease Henshaw Deep Unit		Well No. 9
Unit Letter C	Section 23	Township 16S	Range 30E	County Eddy
Actual Footage Location of Well: 660 feet from the north line and 1980 feet from the west line				
Ground Level Elev. not available	Producing Formation Wolfcamp	Pool Henshaw-Wolfcamp	Dedicated Acreage: 80 Acres	

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES _____ NO X . ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES X NO ____ . If answer is "yes," Type of Consolidation Federal Unit
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner	Land Description

SECTION B



CERTIFICATION

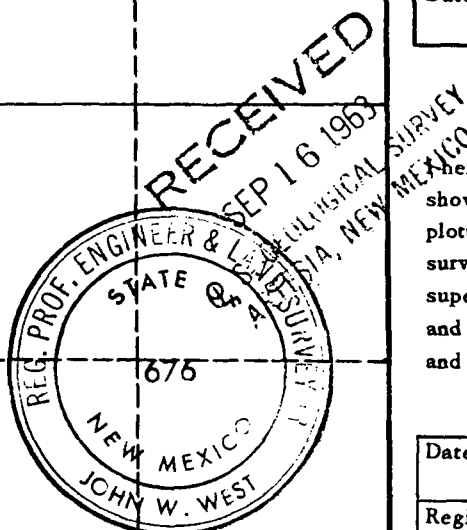
I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

Original Signed By

Name	R. A. LOWERY
Position	District Exploitation Engineer
Company	Shell Oil Company
Date	SEP 13 1963

I hereby certify that the well location shown on the plat in SECTION B 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 Surveyed	9-6-63
Registered Professional Engineer and/or Land Surveyor	<i>John W. West</i>
Certificate No.	676



ARTESIA OFFICE COPY

Form 9-330

R-30-E

Copy to: Roswell
NMOCU(2)Budget Bureau No. 42-R-355.3.
Approval expires 12-31-65.U. S. LAND OFFICE **NEW MEXICO**SERIAL NUMBER **10-0294254**

LEASE OR PERMIT TO PROSPECT

		X					

Section 23

T

16

S

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

LOG OF OIL OR GAS WELL

LOCATE WELL CORRECTLY

Company Shell Oil Company Address P. O. Box 1858, Roswell, New Mexico 88201
 Lessor or Tract Henshaw Deep Unit Field Henshaw-Wolfcamp State New Mexico
 Well No. 9 Sec. 23 T. 16S R. 30E Meridian NM County Eddy
 Location 660 ft. N of N Line and 1980 ft. E of N Line of Section 23 Elevation 3836'
(Derrick floor relative to sea level)

The information given herewith is a complete and correct record of the well and all work done thereon so far as can be determined from all available records.

Signed R. A. Lowery

Original Signed By

R. A. LOWERYDate November 13, 1963Title District Exploitation Engineer

The summary on this page is for the condition of the well at above date.

Commenced drilling September 16, 1963 Finished drilling October 30, 1963

OIL OR GAS SANDS OR ZONES

(Denote gas by G)

No. 1, from _____ to _____ No. 4, from _____ to _____
 No. 2, from _____ to _____ No. 5, from _____ to _____
 No. 3, from _____ to _____ No. 6, from _____ to _____

IMPORTANT WATER SANDS

No. 1, from _____ to _____ No. 3, from _____ to _____
 No. 2, from _____ to _____ No. 4, from _____ to _____

CASING RECORD

Size casing	Weight per foot	Threads per inch	Make	Amount	Kind of shoe	Cut and pulled from	Perforated		Purpose
							From—	To—	
10 3/4"	32.75#	Slip Jt.	Armed	520'					Surface
7 5/8"	26.75#	Slip Jt.	Armed	1075'					Intermediate
HISTORY OF OIL OR GAS WELL									

MUDDING AND CEMENTING RECORD

Size casing	Where set	Number sacks of cement	Method used	Mud gravity	Amount of mud used
10 3/4"	523'	275	Pump & Plug	Cemented to	surface
7 5/8"	451'	1100	Pump & Plug	Cemented to	surface

SHOOTING RECORD

Size	Shell used	Explosive used	Quantity	Date	Depth shot	Depth cleaned out

TOOLS USED

Rotary tools were used from 523 feet to 9474 feet, and from _____ feet to _____ feet

Cable tools were used from 0 feet to 523 feet, and from _____ feet to _____ feet

DATES

November 13, _____, 1963.

Put to producing ~~P.A.~~ November 2, 1963.

The production for the first 24 hours was _____ barrels of fluid of which _____% was oil; _____% emulsion; _____% water; and _____% sediment.

Gravity, °Bé. _____

If gas well, cu. ft. per 24 hours _____ Gallons gasoline per 1,000 cu. ft. of gas _____

Rock pressure, lbs. per sq. in. _____

EMPLOYEES

_____, Driller _____, Driller
_____, Driller _____, Driller

FORMATION RECORD

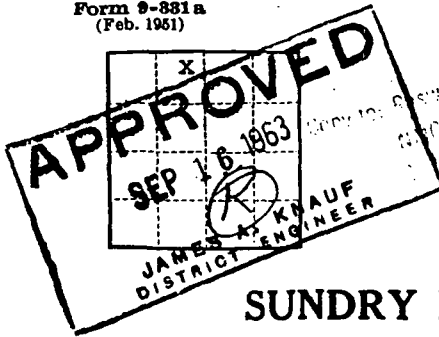
FROM—	TO—	TOTAL FEET	FORMATION
0	277	277	Surface Sands, Caliche, Red Beds
277	1440	1163	Anhydrite, Sandstone, Shale
1440	2647	1207	Sandstone & Limestone
2647	2967	320	Dolomite & Sandstone
2967	5700	2733	Dolomite & Limestone
5700	7663	1963	Limestone, Dolomite, Shale
7663	9474	1811	Limestone & Shale
LOG TOPS:			
Base Red Beds		277'	(+3559')
Yates		1440'	(+2396')
Queen		2258'	(+1578')
Grayburg		2647'	(+1189')
San Andres		2967'	(+869')
Yeso		4435'	(-599')
Drinkard		5700'	(-1864')
Abo		6450'	(-2614')
Wolfcamp		7663'	(-3827')
Lower Rake Marker		8264'	(-4428')
Map Datum		8477'	(-4641')
SEE ATTACHMENT FOR HISTORY OF WELL.			
FROM—	TO—	TOTAL FEET	FORMATION

FORMATION RECORD—Continued

ARTESIA OFFICE COPY

Form 9-881a
(Feb. 1961)Budget Bureau No. 42-R358.4.
Form Approved.Land Office New Mexico
Lease No. LC-029424
Unit C

(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	<input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF WATER SHUT-OFF
NOTICE OF INTENTION TO CHANGE PLANS		SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT
NOTICE OF INTENTION TO PULL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL		

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

Henshaw-Deep Unit

September 13, 1963

Well No. 9 is located 660 ft. from [N] line and 1980 ft. from [EX] line of sec. 23

NE/4 NW/4 Sec. 23

16S

30E

NMPM

(1/4 Sec. and Sec. No.)

(Twp.)

(Range)

(Meridian)

Henshaw-Wolfcamp (E.A.)

Eddy County

New Mexico

(Field)

(County or Subdivision)

(State or Territory)

The elevation of the derrick floor above sea level is 3840 ft. estimated

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

We propose to drill Henshaw Deep Unit # 9 as a 9500-foot Wolfcamp test w/Rotary Tools as follows:

- OPERATIONS: Drill 15" hole to 500', cement 32.75#, 10 3/4" casing w/250 sx. Circulate cement.
 Drill 9 5/8" hole to 4500', cement 24#, 7 5/8" casing w/350 sx. Circulate cement.
 Drill 6 3/4" hole to 9500', cement 9.5# & 11.6#, 4 1/2" casing w/350 sx.

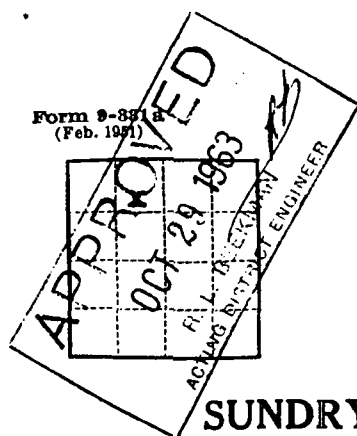
- ☐ RECORDS
☒ D. OF C. ATTACHED
☐ D. OF U. ATTACHED

ROAD COVERAGE

- ☐ ROAD ATTACHED
☐ ROAD ON FILE
☐ LESS THAN NATIONAL WIDE
☒ OPERATING NATIONAL WIDE

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company Shell Oil CompanyAddress P. O. Box 1858Roswell, New Mexico 88201By R. A. LoweryTitle District Exploitation EngineerNOTED
SEP 17 1963
SHOOKNOTED
SEP 18 1963
BEEKMANRECEIVED
SEP 16 1963
U.S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICOOriginal Signed By
R. A. LOWERY



ARTESIA OFFICE COPY

Copy to: Roswell

NMOCC(2)

(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEYBudget Bureau No. 42-R358.4.
Form Approved.Land Office New MexicoLease No. LC-029424Unit C

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL.....	SUBSEQUENT REPORT OF WATER SHUT-OFF.....	<input checked="" type="checkbox"/>
NOTICE OF INTENTION TO CHANGE PLANS.....	SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING.....	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF.....	SUBSEQUENT REPORT OF ALTERING CASING.....	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL.....	SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR.....	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE.....	SUBSEQUENT REPORT OF ABANDONMENT.....	
NOTICE OF INTENTION TO PULL OR ALTER CASING.....	SUPPLEMENTARY WELL HISTORY.....	
NOTICE OF INTENTION TO ABANDON WELL.....		

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

October 15, 1963, 19

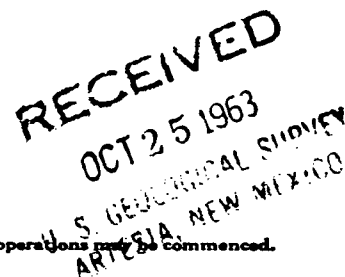
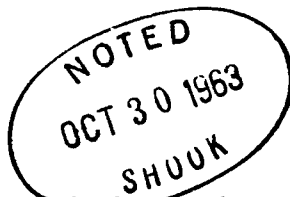
Henshaw Deep Unit

Well No. 9 is located 660 ft. from N line and 1980 ft. from Box line of sec. 23NE/4 NW/4 Sec. 23
(1/4 Sec. and Sec. No.)16 S
(Twp.)30 E
(Range)NMPM
(Meridian)Henshaw-Wolfcamp
(Field)Eddy
(County or Subdivision)New Mexico
(State or Territory)The elevation of the derrick floor above sea level is 3836 ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Spudded @ 3:00 p.m. (MST), September 16, 1963.

Ran 520' of 10-3/4" (Quarter-inch wall Armco spiral weld) casing and cemented @ 523' with 275 sacks regular plus 4% gel and 2% CaCl₂. Circulated cement. Plug down @ 2:45 p.m. (MST), September 24, 1963. Released cable tools @ 8:45 p.m. (MST), September 24, 1963. After WOC 216 hours, tested casing with 1200 psi for 30 minutes no drop in pressure.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company Shell Oil CompanyAddress Box 1858Roswell, New MexicoOriginal Signed By
W. E. BinghamBy W. E. BinghamTitle Division Mechanical Engineer

Form 8-231a
(Feb. 1961)

APPROVED

OCT 29 1963

R. L. STEWART
ACTING DISTRICT ENGINEER

ARTESIA OFFICE COPY

Copy to: Roswell

NMOCC(2)

Budget Bureau No. 42-R358.4.
Form Approved.

(SUBMIT IN TRIPLICATE)

Land Office **New Mexico**

Lease No. **LC-029424**

Unit **C**

UNITED STATES DEPARTMENT OF THE INTERIOR GEOLOGICAL SURVEY

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL.....	SUBSEQUENT REPORT OF WATER SHUT-OFF.....	X
NOTICE OF INTENTION TO CHANGE PLANS.....	SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING.....	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF.....	SUBSEQUENT REPORT OF ALTERING CASING.....	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL.....	SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR.....	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE.....	SUBSEQUENT REPORT OF ABANDONMENT.....	
NOTICE OF INTENTION TO PULL OR ALTER CASING.....	SUPPLEMENTARY WELL HISTORY.....	
NOTICE OF INTENTION TO ABANDON WELL.....		

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

October 10, 1963, 19

Henshaw Deep Unit

Well No. **9** is located **660** ft. from **[N]** line and **1980** ft. from **[W]** line of sec. **23**

NE/4 NW/4 Sec. 23

(1/4 Sec. and Sec. No.)

16 S

(Twp.)

30 E

(Range)

NMPM

(Meridian)

Henshaw-Wolfcamp

(Field)

Eddy

(County or Subdivision)

New Mexico

(State or Territory)

The elevation of the derrick floor above sea level is **3836** ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Ran 4498' of 7-5/8" (26.4#, J-55) casing and cemented @ 4511' with 900 sacks Incor plus 8% gel and 200 sacks Portland plus 4% gel. Bumped plug with 2000 psi @ 4:50 a.m. (MST), October 10, 1963. Circulated 25 sacks. After WOC 24 hours, tested with 1400 psi for 30 minutes - no pressure drop.

NOTED
OCT 30 1963
SHOOK

NOTED
OCT 29 1963
ANNU

RECEIVED
OCT 25 1963
S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICO

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company **Shell Oil Company**

Address **Box 1858**

Roswell, New Mexico

By **W. E. Bingman** Original Signed By
W. E. Bingman

Title **Division Mechanical Engineer**

ARTESIA OFFICE COPY

Form 9-331a
(Feb. 1961)Budget Bureau No. 42-R358.4.
Form Approved.

(SUBMIT IN TRIPLICATE)

Land Office New MexicoLease No. LC-029424Unit CUNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL.....	SUBSEQUENT REPORT OF WATER SHUT-OFF.....	
NOTICE OF INTENTION TO CHANGE PLANS.....	SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING.....	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF.....	SUBSEQUENT REPORT OF ALTERING CASING.....	
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NOTICE OF INTENTION TO SHOOT OR ACIDIZE.....	SUBSEQUENT REPORT OF ABANDONMENT.....	X
NOTICE OF INTENTION TO PULL OR ALTER CASING.....	SUPPLEMENTARY WELL HISTORY.....	
NOTICE OF INTENTION TO ABANDON WELL.....		

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

November 4, 1963, 19

Henshaw Deep Unit

Well No. 9 is located 660 ft. from [N] line and 1980 ft. from [W] line of sec. 23

NE/4 NW/4 Sec. 23

(1/4 Sec. and Sec. No.)

16 S

(Twp.)

30 E

(Range)

NMPM

(Meridian)

Henshaw-Wolfcamp

(Field)

Eddy

(County or Subdivision)

New Mexico

(State or Territory)

The elevation of the derrick floor above sea level is 3836 ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Spotted cement plugs as follows:

75 sxs @ 9150' - 8800'

25 sxs @ 8600' - 8500'

50 sxs @ 7800' - 7600'

25 sxs @ 6500' - 6400'

25 sxs @ 4550' - 4450'

15 sxs @ surface

Erected prescribed 4" x 4' marker

Well D&A November 2, 1963.

RECEIVED
NOV 8 1963
U. S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICO

Verbal approval granted October 31, 1963, via telephone conversation between R. E. Shook of U.S.G.S. and R. D. Vassar of Shell Oil Company.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company Shell Oil CompanyAddress Box 1858Roswell, New MexicoBy W. E. BingmanTitle Division Mechanical Engineer

ARTESIA OFFICE COPY

NEW MEXICO OIL CONSERVATION COMMISSION

OPERATOR Shell Oil Company ADDRESS P. O. Box 1858,
Roswell, New Mexico 88201

FIELD Henshaw-Wolfcamp LEASE Henshaw Deep Unit WELL NO. 9

LOCATION 660' FNL & 1980' FWL, Section 23, T-16-S, R-30E, NMPM Survey, Eddy County, New Mex.

DEVIATION RECORD

100' = 1/2 deg.
170' = 3/4 deg.
240' = 1/4 deg.
300' = 1/4 deg.
360' = 1/2 deg.
408' = 1/4 deg.
450' = 1/2 deg.
603' = 1/2 deg.
1450' = 1/4 deg.
1925' = 1/2 deg.
2680' = 1 1/2 deg.
4537' = 2 deg.
5735' = 2 deg.
6530' = 1 3/4 deg.
7300' = 2 1/4 deg.
8630' = 2 deg.
9474' = 3 deg.

RECEIVED
NOV 15 1963
U. S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICO

Certification of personal knowledge of Deviation Record:

I hereby certify that I have personal knowledge of the data and facts placed on this form, and that such information given is true and complete.

R. A. Lowery
Signature
Shell Oil Company
Company

STATE OF NEW MEXICO
COUNTY OF CHAVES

Before me, the undersigned authority, on this day personally appeared R. A. Lowery, known to me to be the person whose name is subscribed hereto, who, after being duly sworn, on oath states that he is acting at the direction and on behalf of the operator of the well identified in this instrument and that such well was not intentionally deviated from the vertical.

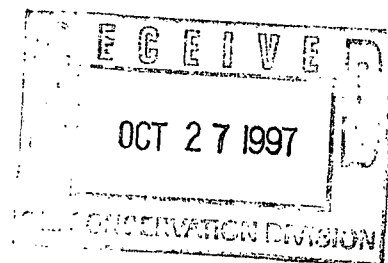
R. A. Lowery
Signature
District Exploitation Engineer
Title

Sworn and Subscribed to before me, this 13th day of November, 1963.

Lowery



October 17, 1997



New Mexico Oil Conservation Division
2040 South Pacheco,
Santa Fe, New Mexico 87504
Attn: Mr. Michael Stogner

Re: Unorthodox Well Location
Henshaw #9
Eddy County, New Mexico

Dear Mr. Stogner:

Please find enclosed a copy of a letter mailed to the offset operators or lessees for notification of our application for administrative approval of an unorthodox gas location for the Henshaw #9 Well, located 660 feet from the North and 1980 feet from the West lines of Section 23, Township 16 South, Range 30 East, in Eddy County, New Mexico. Attached to the letter is a copy of the Exhibit "A" which provides for the names and addresses of those notified.

Very truly yours,


Julie LeMond

/jl
Enclosure

Wk: jlstogner 971017



October 17, 1997

Re: Unorthodox Gas Well Location
Henshaw #9
Eddy County, New Mexico

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: PERSONS ON EXHIBIT 'A'

Gentlemen:

Beach Exploration, Inc. has filed an application for administrative approval of an unorthodox gas well location with the New Mexico Oil Conservation Division regarding the Henshaw #9 Well, located 660 feet from the North and 1980 feet from the West lines of Section 23, Township 16 South, Range 30 East, in Eddy County, New Mexico. The well unit is the W/2 of Section 23. Beach's records indicate that you are an offset operator or lessee to the well unit. The application has been filed with the Division, and unless you object in writing to the Division by November 6, 1997, you will be precluded from contesting this matter at a later date. The Division's address is 2040 South Pacheco, Santa Fe, New Mexico.

Very truly yours,

Robert N. Hinson

RNH/jl

C:\wk rnh\henshaw 971017

EXHIBIT 'A'

W/2 Section 14:

Pioneer Natural Resources USA Inc.
PO Box 3178
Midland, TX 79702

S/2 SE/4 and NE/4 SE/4 Section 14:

Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

NW/4 SE/4 Section 14:

Duncan Oil Inc.
Raymond Duncan
Club Oil & Gas Ltd.
Raymond Twomey Duncan Trust
Vincent Joseph Duncan Trust
1777 S. Harrison St.
Denver, CO 80210

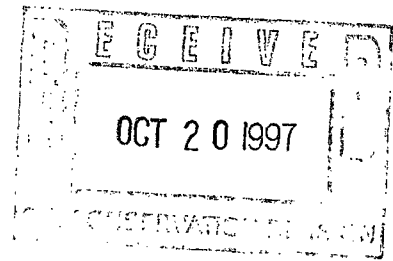
Duncan Oil and Gas Inc.
Walter Duncan Oil Properties
100 Park Ave. Bldg, Suite 1200
Oklahoma City, OK 73102

NE/4 Section 14

Enron Oil & Gas
4000 N. Big Spring, Suite 500
Midland, TX 79705



October 17, 1997



Re: Unorthodox Gas Well Location
Henshaw #9
Eddy County, New Mexico

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: PERSONS ON EXHIBIT 'A'

Gentlemen:

Beach Exploration, Inc. has filed an application for administrative approval of an unorthodox gas well location with the New Mexico Oil Conservation Division regarding the Henshaw #9 Well, located 660 feet from the North and 1980 feet from the West lines of Section 23, Township 16 South, Range 30 East, in Eddy County, New Mexico. The well unit is the W/2 of Section 23. Beach's records indicate that you are an offset operator or lessee to the well unit. The application has been filed with the Division, and unless you object in writing to the Division by November 6, 1997, you will be precluded from contesting this matter at a later date. The Division's address is 2040 South Pacheco, Santa Fe, New Mexico.

Very truly yours,

A handwritten signature in dark ink, appearing to read "R. N. Hinson".

Robert N. Hinson

RNH/jl

C:\wk mhhenshaw 971017

EXHIBIT 'A'

W/2 Section 14:

Pioneer Natural Resources USA Inc.
PO Box 3178
Midland, TX 79702

S/2 SE/4 and NE/4 SE/4 Section 14:

Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

NW/4 SE/4 Section 14:

Duncan Oil Inc.
Raymond Duncan
Club Oil & Gas Ltd.
Raymond Twomey Duncan Trust
Vincent Joseph Duncan Trust
1777 S. Harrison St.
Denver, CO 80210

Duncan Oil and Gas Inc.
Walter Duncan Oil Properties
100 Park Ave. Bldg, Suite 1200
Oklahoma City, OK 73102

NE/4 Section 14

Enron Oil & Gas
4000 N. Big Spring, Suite 500
Midland, TX 79705

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- 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):

- ☐ Addressee's Address
 - ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Pioneer Natural Resources USA
PO Box 3178
Midland, TX 79702

4a. Article Number

P 451 328 170

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

OCT 21 1997

RECEIVED OCT 22 1997

5. Signature (Addressee)

6. Signature (Agent)

James Heune
PS Form 3811, December 1991

U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- 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):

- ☐ Addressee's Address
 - ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

4a. Article Number

P 451 328 348

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

10-21-97

5. Signature (Addressee)

6. Signature (Agent)

Beck
PS Form 3811, December 1991

U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- 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):

- ☐ Addressee's Address
 - ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Duncan Oil & Gas Inc.
Walter Duncan Oil Properties
100 Park Ave. Bldg., Suite 1200
Oklahoma City, OK 73102

4a. Article Number

P 451 328 169

4b. Service Type

- ☒ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

10-22

5. Signature (Addressee)

6. Signature (Agent)

Carroll
PS Form 3811, December 1991

U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- 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):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Enron Oil & Gas
4000 N. Big Spring, Suite 500
Midland, TX 79705

RECEIVED OCT 22 1997

4a. Article Number

P 451 328 346

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

10-21-97

5. Signature (Addressee)

Doem. Carrillo

6. Signature (Agent)

Doem. Carrillo

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

P 451 328 345

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S. G.P.O. 1988-234-555

PS Form 3800, June 1985

Sent to Duncan Oil Inc.	
Street and No. 1777 S. Harrison St.	
P.O., State and ZIP Code Denver, CO 80210	
Postage	\$.32
Certified Fee	1.10
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.10
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.52
Postmark or Date remailed 10/20 + 25c	



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

OIL CONSERVATION DIVISION

October 20, 1997

Beach Exploration, Inc.
800 N. Marienfield - Suite 200
Midland, Texas 79701-3382

Attention: Charles "Sandy" Beach

RE: Administrative application dated October 1, 1997 for an exception to Division General Rules 104.B(1)(a), applicable to the Morrow formation, and 104.C(2)(b), applicable to the Undesignated Henshaw-Atoka Gas Pool, for the proposed re-entry and deepening of the plugged and abandoned Skelly Oil Company Henshaw Deep Unit Well No. 9 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 23, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Mr. Beach:

Please comply fully with the provisions of Division General Rules 104.F(3) and (4), see copy attached. The subject application will be held until such time as you have met these necessary notification requirements.

Should you have any questions or comments concerning these rules, requirements and/or procedures after you have reviewed them, please contact me at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
William J. LeMay, Director - OCD, Santa Fe

[5-25-96...2-1-96]

- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application. [5-25-64...2-1-96]
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing. [5-25-64...2-1-96]

(3) Number of Wells Per Spacing Unit in Non-Prorated Gas Pools: Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools. [5-25-64...2-1-96]

104.E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage. [12-29-52...2-1-96]

104.F. UNORTHODOX LOCATIONS

(1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location. [1-1-50...2-1-96]

(2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon. [1-1-82...2-1-96]

(3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location. [2-9-66...2-1-96]

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches. [2-9-66...2-1-96]
- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
 - (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
 - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
 - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.

[2-9-66...2-1-96]

(4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application. [2-9-66...2-1-96]

(5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s). [1-1-82...2-1-96]

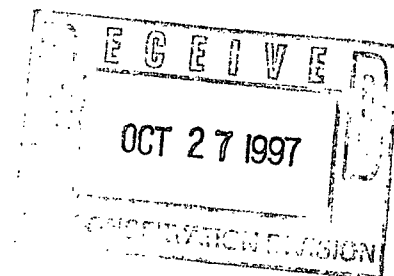
104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location. [1-1-50...2-1-96]

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40. [1-1-50...2-1-96]

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool. [1-1-50...2-1-96]

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre. [1-1-50...2-1-96]

104.K. The provisions of Rules 104.H and 104.I above shall apply only



October 24, 1997

New Mexico Energy, Minerals &
Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attn: Mr. Michael E. Stogner

RE: Administrative application dated October 1, 1997 for an Exception to Division General Rules 104.B(1)(a), applicable to the Morrow Formation, and 104.C(2)(b), applicable to the Undesignated Henshaw-Atoka Gas Pool, for the proposed re-entry and deepening of the plugged and abandoned Skelly Oil Company Henshaw Deep Unit No. 9 located 660 feet from the North Line and 1980 feet from the West Line (Unit C) of Section 23, Township 16 South, Range 30 East, NMPM, Eddy Co., New Mexico

Dear Mr. Stogner:

In regard to your letter dated October 20, 1997, concerning Division General Rules 104.F (3) and (4) covering the above referenced administrative application, please find enclosed a copy of the requested plat and a list of the affected parties.

The affected parties were sent notification by our letter dated, October 17, 1997, and I have enclosed copies of our return receipts showing said notification was received.

The adjoining spacing unit to our unorthodox location is the W/2 of Section 14 and the diagonal spacing unit is the E/2 of Section 14 as shown on the enclosed plat. The affected parties are listed by tract within said spacing units as shown on the attached list.

Page 2 - Michael Stogner

Please let me know if you require any additional information.

Thank you for your assistance in this matter.

Yours very truly,

A handwritten signature in dark ink, appearing to read "R. N. Hinson", written in a cursive style.

Robert N. Hinson

RNH/bw
Enclosure

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. 9241
Order No. R-8553

APPLICATION OF PETRUS OPERATING
COMPANY, INC. FOR POOL CREATION
AND AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 21 and November 18, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of November, 1987, 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, Petrus Operating Company, Inc., seeks the creation of a new gas pool for Lower Pennsylvanian production comprising the W/2 of Section 14, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.
- (3) The applicant further seeks approval for an unorthodox gas well location for its Henshaw Federal Well No. 1 located 330 feet from the South line and 1750 feet from the West line (Unit N) of said Section 14.
- (4) Said Henshaw Federal Well No. 1 was originally drilled at a standard oil well location to test the Devonian formation and was subsequently completed in the Atoka formation.

(5) The evidence in this case indicates that the aforementioned Henshaw Federal Well No. 1 has discovered a separate common source of supply in the Atoka formation in the perforated interval from 10,374 feet to 10,390 feet.

(6) Initial completion data from the Henshaw Federal Well No. 1 shows the well to be producing at a gas-oil ratio of approximately 11,642 cubic feet of gas per barrel of oil.

(7) Evidence presented in this case indicates that despite the relatively low producing gas-oil ratio, the Atoka formation in the Henshaw Federal Well No. 1 exhibits characteristics of a retrograde gas condensate reservoir.

(8) The applicant presented further evidence which shows that there are currently several gas pools located in the general vicinity of the proposed pool, most notably the Little Lucky Lake-Morrow Gas Pool, whose wells have consistently produced at gas-oil ratios similar to that gas-oil ratio currently being produced in the Henshaw Federal Well No. 1.

(9) The evidence in this case is sufficient to justify the classification of the proposed pool as a gas pool.

(10) A new gas pool should be created and designated the Henshaw-Atoka Gas Pool; the horizontal limits of said pool should comprise the W/2 of Section 14, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico; the Henshaw-Atoka Gas Pool should be governed by Division Statewide Pennsylvanian Gas Rules and Regulations, as contained in Rule No. 104 C (II) (a) of the Division Rules and Regulations, which require 320-acre well spacing and proration units and designated well locations.

(11) No offset operator objected to the unorthodox location of the Henshaw Federal Well No. 1.

(12) In order to prevent waste caused by the drilling of unnecessary wells, to allow the applicant the opportunity to produce the oil and gas underlying the W/2 of said Section 14, and to otherwise protect correlative rights, the proposed unorthodox gas well location should be approved.

IT IS THEREFORE ORDERED THAT:

(1) A new gas pool in Eddy County, New Mexico, is hereby created and designated the Henshaw-Atoka Gas Pool

with horizontal limits comprising the following described acreage:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 14: W/2

(2) The Henshaw-Atoka Gas Pool shall be governed by Division Statewide Pennsylvanian Gas Rules and Regulations, as contained in Rule No. 104 C (II) (a) of the Division Rules and Regulations, which require 320-acre well spacing and proration units and designated well locations.

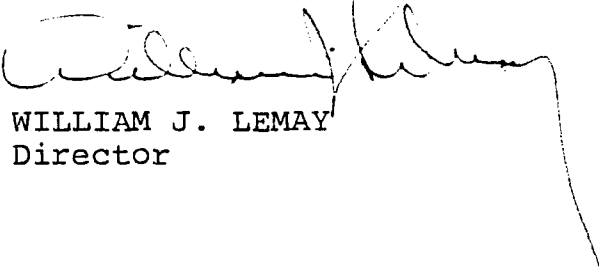
(3) The application of Petrus Operating Company for an unorthodox gas well location for its Henshaw Federal Well No. 1 located 330 feet from the South line and 1750 feet from the West line (Unit N) of said Section 14, Henshaw-Atoka Gas Pool, is hereby approved.

(4) The W/2 of said Section 14 shall be dedicated to the well.

(5) 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

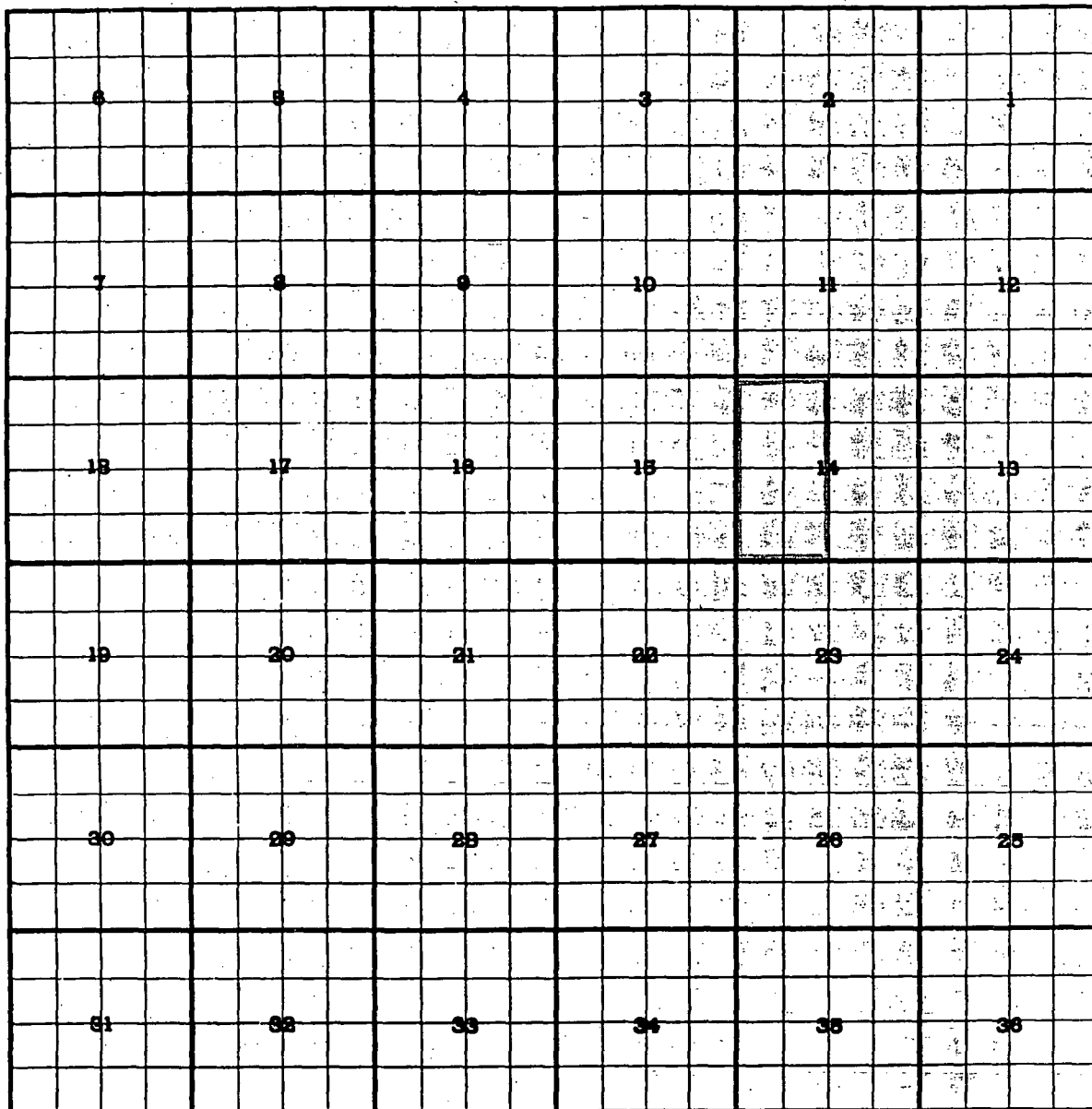
S E A L

fd/

County EDDY

Pool HENSHAW-ATOKA GAS

TOWNSHIP 16 SOUTH, RANGE 30 East, NEW MEXICO PRINCIPAL MERIDIAN



DESCRIPTION: W/2 SEC. 14 (R-8553 1/24/87)

NEW MEXICO PRINCIPAL MERIDIAN

A 31x31 grid with numbers 1-31 in the first row and 1-31 in the first column. A 4x4 square is highlighted in the bottom right corner, spanning rows 28-31 and columns 28-31.

P.F. DUN

Des: NW/4 Sec 24 (R-1772, 10-1-60)

PIONEER NAT. RES.

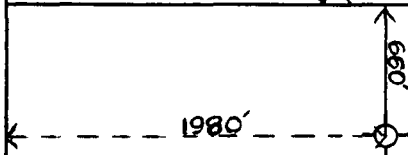
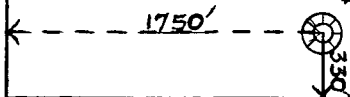
ENRON O&G

14

DUNCAN, ETAL

PHILLIPS PET.

Henshaw - Federal
#1



Henshaw
Dp. Unit #9

BEACH EXP.

23

W/2 Section 14:

Pioneer Natural Resources USA Inc. (Operator)
PO Box 3178
Midland, TX 79702

S/2 SE/4 and NE/4 SE/4 Section 14:

Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

NW/4 SE/4 Section 14:

Duncan Oil Inc.
Raymond Duncan
Club Oil & Gas Ltd.
Raymond Twomey Duncan Trust
Vincent Joseph Duncan Trust
1777 S. Harrison St.
Denver, CO 80210

Duncan Oil and Gas Inc.
Walter Duncan Oil Properties
100 Park Ave. Bldg, Suite 1200
Oklahoma City, OK 73102

NE/4 Section 14

Enron Oil & Gas
4000 N. Big Spring, Suite 500
Midland, TX 79705