

**The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company**

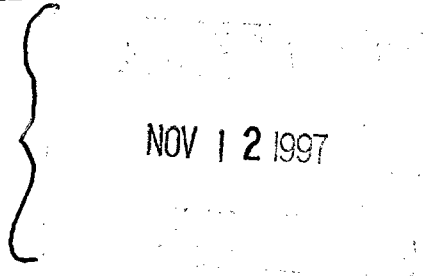
15 East 5th Street, Suite 2800
Tulsa, Oklahoma 74103
November 6, 1997

918-583-0178
1-800-677-0178
FAX 918-583-0237

VIA REGISTERED MAIL, RETURN RECEIPT REQUESTED

State of New Mexico Oil Conservation Commission
2040 S. Pacheco
Santa Fe, NM 87505

Attention: Mr. Michael Stogner



RE: Exception to Division Rule 104.C
Republic No. 1-5
SW/4 NE/4 Sec. 5-T22S-R37E
Lea County, New Mexico
L1703010W

Dear Mr. Stogner:

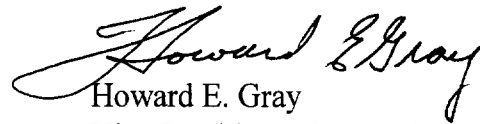
Pursuant to Division Rule 104.F(2), The Home-Stake Royalty Corporation hereby applies for administrative approval of an unorthodox location for the subject well. The well has been permitted to be drilled 330' FNL & 330' FEL of the 40-acre spacing unit consisting of the SW/4 NE/4 Sec. 5-T22S-R37E (1650' FNL & 1650' FEL of Section 5) as shown on attached Forms C-101 and C-102. We are planning to drill a vertical well to produce the Fusselman formation which is truncated by the Permian near the East line of the spacing unit (See Attached subcrop map). The Fusselman is a water drive reservoir with no penetrations in this fault block, therefore, the depth of the water table has not been established. If the vertical well penetrates the Fusselman at a structural position below the water table, it is proposed to sidetrack the hole a maximum distance of 230' to the East to attempt to penetrate the Fusselman above the water table. The Fusselman beds are dipping to the West at approximately 11°. We will gain approximately 45' of structural position in the 230' of Eastward movement. (See attached cross-section). Penetrating the Fusselman at this point will result in an unorthodox location for the 40-acre spacing unit. We are requesting administrative approval for an exception to Division Rule 104.C to permit Home-Stake to expand the window and allow the well to legally produce from the Fusselman at a distance no closer than 100' FEL spacing unit (1420' FEL Sec. 5).

This action will affect the owners of operating or leasehold rights to the Fusselman in Spacing Unit A (NE/4 NE/4), Unit H (SE/4 NE/4) and Unit I (NE/4 SE/4). The affected owners are shown on Form C-102 and on the attached Exhibit "A". These owners have been notified by certified mail and facsimile of Home-Stake's request for an unorthodox location and have been requested to waive their right to object to the unorthodox location. A copy of the notification letter and a affidavit of notification (Exhibit "B") is also attached.

This application is being submitted in duplicate to your office and one copy is being sent to the District Office in Hobbs. Please call me if you need any further information regarding this application.

Very truly yours,

The Home-Stake Royalty Corporation


Howard E. Gray
Vice-President of Operations

Attachments

Exhibit "A"

Offset operators and lessees affected by application for unorthodox location:

Unit A (NE/4 NE/4 Sec. 5-T22S-R37E)

Arch Petroleum, Inc.
10 Desta Drive, Ste 420E
Midland, TX 79705
Attn: Glenn Curry

Unit H (SE/4 NE/4 Sec. 5-T22S-R37E)

Texaco E.& P. Inc
P.O. Box 3109
Midland TX. 79702
Attn: Ron Lanning

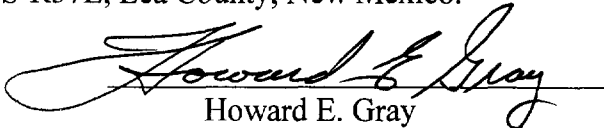
Unit I (NE/4 SE/4 Sec. 5-R22S-R37E)

Same as Unit A

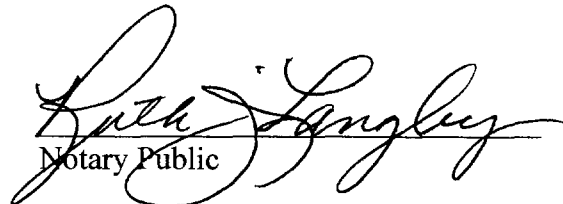
Exhibit "B"

Affidavit of Notification:

I, **Howard E. Gray**, hereby state the affected parties identified in Exhibit "A" were notified by **Certified Mail Return Receipt Requested and Facsimile** on November 6, 1997, of The Home-Stake Royalty Corporation's application for an unorthodox location for the Republic No. 1-5 located in the SW/4 NE/ Sec. 5-T22S-R37E, Lea County, New Mexico.


Howard E. Gray

Before me a notary public in and for the County of Tulsa and State of Oklahoma, on this 6th day of November, 1997, personally appeared Howard E. Gray, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that he executed same as his free and voluntary act and deed for the purposes therein set forth.


Notary Public

My Commission Expires:

~~My Commission Expires April 30, 1998~~



**The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company**

15 East 5th Street, Suite 2800
Tulsa, Oklahoma 74103
November 6, 1997

918-583-0178
1-800-677-0178
FAX 918-583-0237

**VIA REGISTERED MAIL, RETURN RECEIPT REQUESTED and
FACSIMILE (915) 685-1232**

Arch Petroleum, Inc.
10 Desta Drive, Ste 420E
Midland TX 79705

Attention: Mr. Glenn Curry

RE: Exception to Division Rule 104.C
Republic No. 1-5
SW/4 NE/4 Sec. 5-T22S-R37E
Lea County, New Mexico
L1703010W

Dear Mr. Curry:

On November 6, 1997 The Home-Stake Royalty Corporation filed an application with the New Mexico Oil Conservation Division requesting administrative approval of an unorthodox location for the subject well. A copy of the application, exhibits and attachments is enclosed for your information.

The well has been permitted to be drilled 330' FNL & 330' FEL of the 40-acre spacing unit consisting of the SW/4 NE/4 Sec. 5-T22S-R37E (1650' FNL & 1650' FEL of Section 5) as shown on attached application. We are planning to drill a vertical well to produce the Fusselman formation which is truncated by the Permian near the East line of the spacing unit (See enclosed subcrop map). The Fusselman is a water drive reservoir with no penetrations in this fault block, therefore, the depth of the water table has not been established. If the vertical well penetrates the Fusselman at a structural position below the water table, it is proposed to sidetrack the hole a maximum distance of 230' to the East to attempt to penetrate the Fusselman above the water table. The Fusselman beds are dipping to the West at approximately 11°. We will gain approximately 45' of structural position in the 230' of Eastward movement. (See enclosed cross-section). Penetrating the Fusselman at this point will result in an unorthodox location for the 40-acre spacing unit. We have, therefore, requested administrative approval for an exception to Division Rule 104.C to permit Home-Stake to expand the window and allow the well to legally produce from the Fusselman at a distance no closer than 100' FEL spacing unit (1420' FEL Sec. 5).

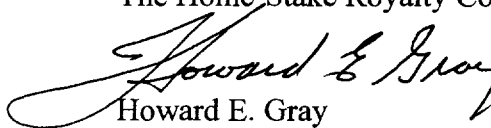
As you can see from the Subcrop Map, we have interpreted the Fusselman to be terminated at a position very near the West line of Spacing Units A & I in which Arch owns leasehold rights to the Fusselman formation and as a result, the requested unorthodox location should have no affect on your spacing units. If this interpretation is proved to be incorrect and Arch should propose to drill a Fussleman well no closer than 100' from the West line of Spacing Unit A or I, Home-Stake agrees not to protest such application if Arch waives its objection to Home-Stake's application.

If you object to this application, please notify the Division in writing within 20 days of the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505. If you have no objection and agree to Home-Stake's proposal, please sign below, indicating your waiver to the unorthodox location, and return one copy of this letter to me. Home-Stake currently has a drilling rig on location and anticipates penetrating the Fusselman with the vertical hole prior to the expiration of the 20 day protest period. In the event it is necessary to sidetrack the well to the East, your early approval of this application would be appreciated.

If you have any questions pertaining to this application, please call me immediately.

Very truly yours,

The Home-Stake Royalty Corporation



Howard E. Gray
Vice-President of Operations

Attachments

We hereby agree to waive objection to Home-Stake's application for the unorthodox location.

Company: _____
Name: _____
Date: _____



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The Home-Stake Oil & Gas Company**

15 East 5th Street, Suite 2800
Tulsa, Oklahoma 74103
November 6, 1997

918-583-0178
1-800-677-0178
FAX 918-583-0237

**VIA REGISTERED MAIL, RETURN RECEIPT REQUESTED and
FACSIMILE (915) 688-4831**

Texaco Exploration & Production Inc.
P.O. Box 3109
Midland TX 79702

Attention: Mr. Ron Lanning

RE: Exception to Division Rule 104.C
Republic No. 1-5
SW/4 NE/4 Sec. 5-T22S-R37E
Lea County, New Mexico
L1703010W

Dear Mr. Lanning

On November 6, 1997 The Home-Stake Royalty Corporation filed an application with the New Mexico Oil Conservation Division requesting administrative approval of an unorthodox location for the subject well. A copy of the application, exhibits and attachments is enclosed for your information.

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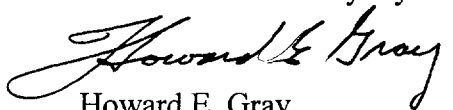
As you can see from the Subcrop Map, we have interpreted the Fusselman to be terminated at a position very near the West line of Spacing Unit H in which Texaco owns leasehold rights to the Fusselman formation and as a result, the requested unorthodox location should have no affect on your spacing units. If this interpretation is proved to be incorrect and Texaco should propose to drill a Fussleman well no closer than 100' from the West line of Spacing Unit H, Home-Stake agrees not to protest such application if Texaco waives its objection to Home-Stake's application.

If you object to this application, please notify the Division in writing within 20 days of the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505. If you have no objection and agree to Home-Stake's proposal, please sign below, indicating your waiver to the unorthodox location, and return one copy of this letter to me. Home-Stake currently has a drilling rig on location and anticipates penetrating the Fusselman with the vertical hole prior to the expiration of the 20 day protest period. In the event it is necessary to sidetrack the well to the East, your early approval of this application would be appreciated.

If you have any questions pertaining to this application, please call me immediately.

Very truly yours,

The Home-Stake Royalty Corporation



Howard E. Gray
Vice-President of Operations

Attachments

We hereby agree to waive objection to Home-Stake's application for the unorthodox location.

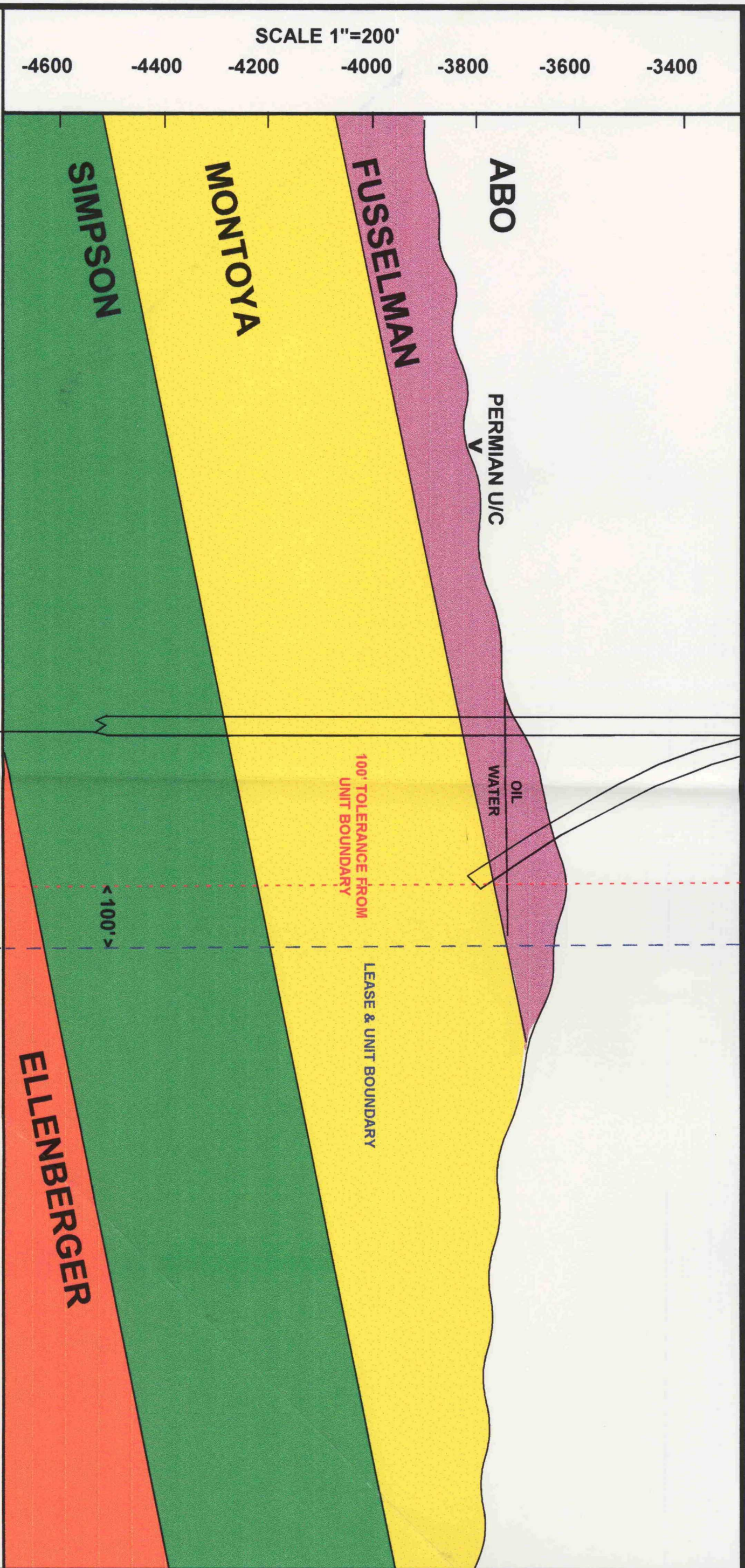
Company: _____
Name: _____
Date: _____

A

VERTICAL
REPUBLIC #1-5
WELLBORE
KB = 3450

SIDE-TRACK
REPUBLIC #1-5
WELLBORE

A'



IN THE EVENT THE FUSSELMAN IS PENETRATED LOW AND WET, THE ABOVE SIDE-TRACK WILL BE REQUIRED TO ACHIEVE ECONOMIC PRODUCTION

SCALE 32"=1 MILE = 5280'
1" = 165'

THE HOME-STAKE COMPANIES

EUNICE DOME PROSPECT
LEA CO., NEW MEXICO

STRUCTURAL CROSS-SECTION A -A'

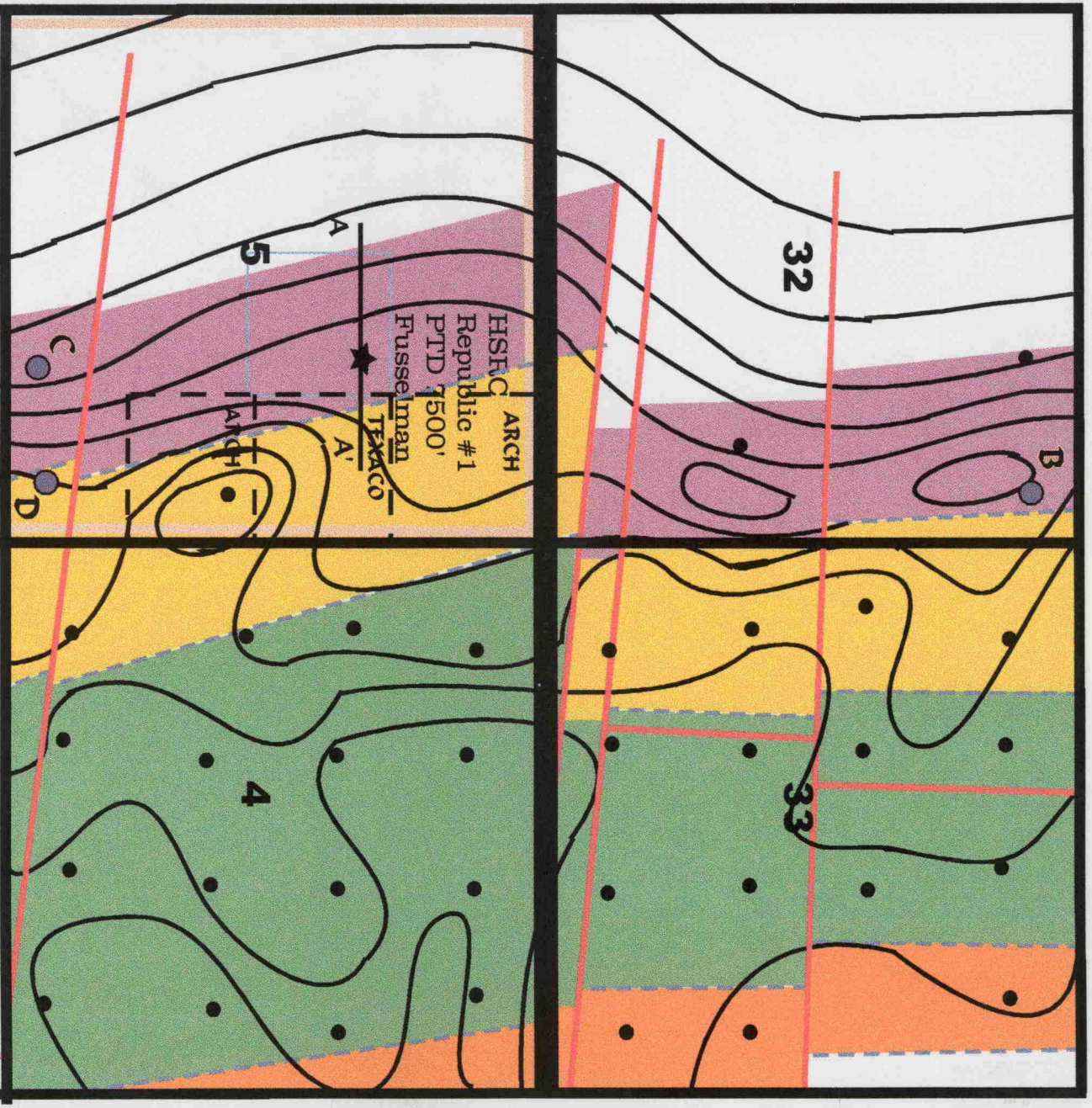
STRUCTURE MAP of the
PRE-PERMIAN UNCONFORMITY
C.1. = 50'

MAP KEY:

	FAULT LINES
	CONTACT LINES
	FUSSELMAN PRODUCERS
	HSRC LOCATION
	AMI

SUBCROP KEY:

	FUSSELMAN
	MONTROYA
	SIMPSON
	ELLENBURGER



<p>THE HOME-STAKE COMPANIES EVNICE DOME PROSPECT 5 22S 37E LEA COUNTY, NM</p>