

Case 8889

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator APOLLO ENERGY, INC. Contact Party M. Y. Merchant - President
Address P.O. BOX 5315, HOBBS, NEW MEXICO 88241 Phone No. (505) 397-3596
Lease Sinclair State Well No. 1 UT G8 Sec. 32 TWP 20S RGE 36E
Pool Name Eumont Yates SRQ Minimum Rate Requested 50 MCPPD
Transporter Name Phillips Petroleum Co. Purchaser (if different) _____
Are you seeking emergency "hardship" classification for this well? X yes _____ no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

- 1) Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)
- 2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.
 - a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.
 - b) Mechanical condition of the well (provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:
 - i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.
- 3) Present historical data which demonstrates conditions that can lead to waste. Such data should include:
 - a) Permanent loss of productivity after shut-in periods (i.e., formation damage).
 - b) Frequency of swabbing required after the well is shut-in or curtailed.
 - c) Length of time swabbing is required to return well to production after being shut-in.
 - d) Actual cost figures showing inability to continue operations without special relief
- 4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost
- 5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by:
 - a) Minimum flow or "log off" test; and/or
 - b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data),
- 6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.
- 7) Submit any other appropriate data which will support the need for a hardship classification.
- 8) If the well is in a prorated pool, please show its current under- or over-produced status.
- 9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

1) Definition of Underground Waste.

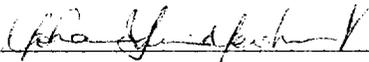
"Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

- 2) The only acceptable basis for obtaining a "hardship" classification is prevention of waste with the burden of proof solely on the applicant. The applicant must not only prove waste will occur without the "hardship" classification, but also that he has acted in a responsible and prudent manner to minimize or eliminate the problem prior to requesting this special consideration. If the subject well is classified as a "hardship" well, it will be permitted to produce at a specified minimum sustainable rate without being subject to shut-in by the purchaser due to low demand. The Division can rescind approval at any time without notice and require the operator to show cause why the classification should not be permanently rescinded if abuse of this special classification becomes apparent.
- 3) The minimum rate will be the minimum sustainable rate at which the well will flow. If data from historical production is insufficient to support this rate (in the opinion of the Director), or if an offset operator or purchaser objects to the requested rate, a minimum flow ("log off") test may be required. The operator may, if he desires, conduct the minimum flow test, and submit this information with his application.
- 4) If a minimum flow test is to be run, either at the operator's option or at the request of the Division, the offset operators, any protesting party, the purchaser and OCD will be notified of the date of the test and given the opportunity to witness, if they so desire.
- 5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.
- 6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 20 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.
- 7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.
- 8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.
- 9) After a well receives a "hardship" classification, it will be retained for a period of one year unless rescinded sooner by the Division. The applicant will be required to certify annually that conditions have not changed substantially in order to continue to retain this classification.
- 10) Nothing here withstanding, the Division may, on its own motion, require any and all operators to show cause why approval(s) should not be rescinded if abuse is suspected or market conditions substantially change in the State of New Mexico.
- 11) A well classified as a "hardship well" will continue to accumulate over and under production (prorated pools). Should allowables exceed the hardship allowable assigned, the well will be permitted to produce at the higher rate, if capable of doing so, and would be treated as any other non-hardship well. Any cumulative overproduction accrued either before or after being classified "hardship" must, however, be balanced before the well can be allowed to produce at the higher rate.

Sinclair State No. 1

1. Sinclair State No. 1 was drilled and completed November 22, 1957, additional perforations were added and frac'd increasing production 12 MCF/D to 300 MCF/D. During the past two years well has been swabbed various times to maintain 30-40 MCF/D production. Each time well was shut-in in the past, it had to be foam cleaned to return it to production. A shut-in will flood the producing zone and impair its ability to produce even 30 MCF/D.
2. Before the shut-in by the purchaser, Apollo was in the process of acquiring approval from all parties to install a pump jack and electrify the lease. The off-setting Sinclair State No. 2 had similar work done in January, 1986. Without beam pump this well would soon have been non-commercial.
3. Without production well will soon have to be plugged. A beam pumping unit and electrification (est. cost \$20,000+) can not be justified if the final result is "Shut-In". If the well is left shut-in, it will "flood out" and will damage this low pressure-low permeability reservoir permanently.
4. In the absence of no artificial lift and eventual plugging a loss of 1.09 MMCF of gas reserves is a reality.
5. Production history curve is a good documentation as to the ability of this well to produce.

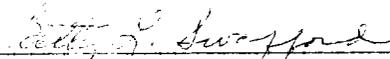
I, Mohammed Yamin Merchant, certify the above statement and information submitted with this application is true and correct to the best of my Knowledge, that one copy of the application has been submitted to the Hobbs Division District Office and notice of the application has been given to Phillips Petroleum Company, transporter and purchaser, and all off-set operators.



Mohammed Yamin Merchant
President

State of New Mexico))
County of Lea))

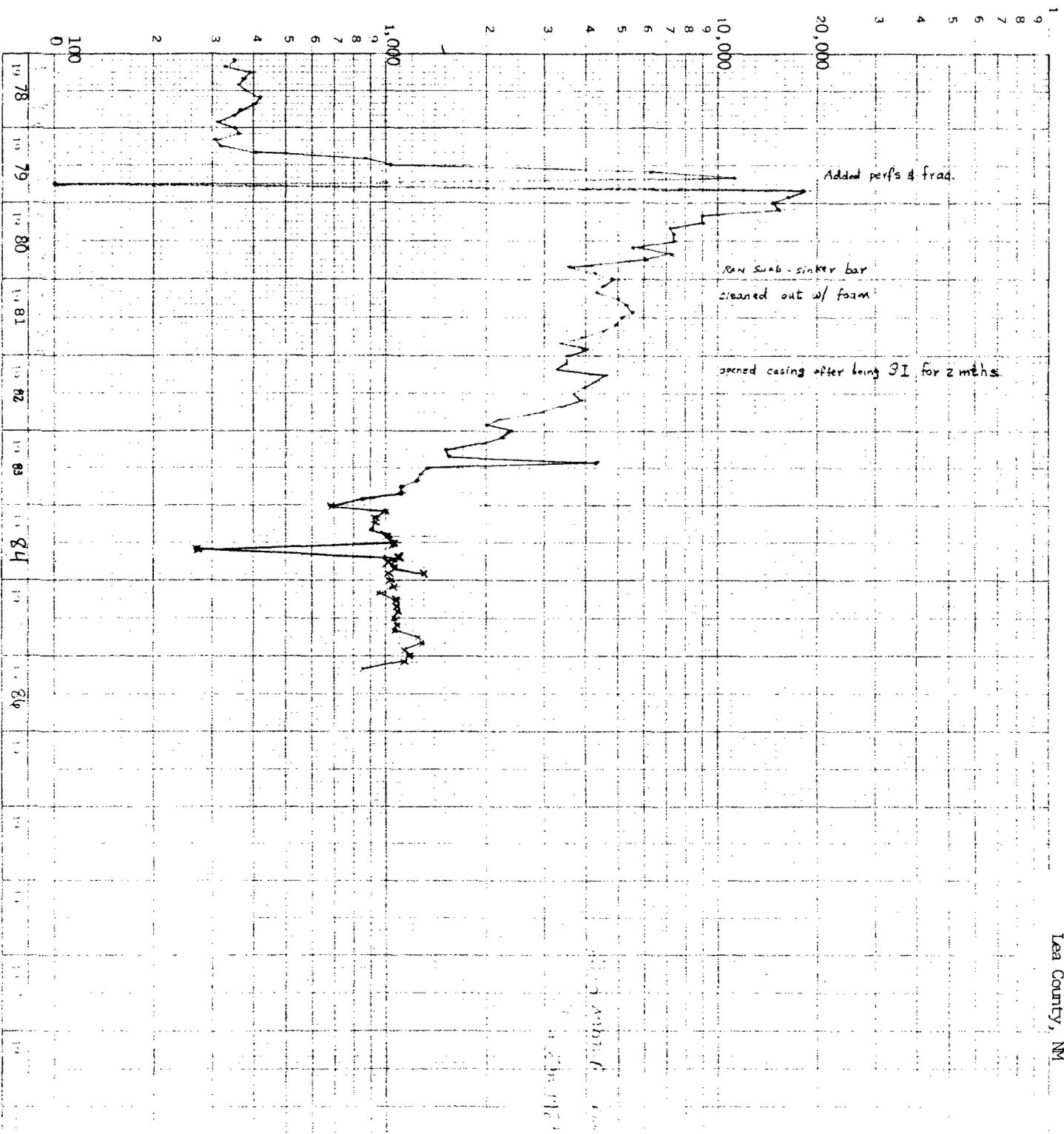
The foregoing instrument was acknowledged before me this 8th day of April, 1986, by Mohammed Yamin Merchant, President of Apollo Energy, Inc.



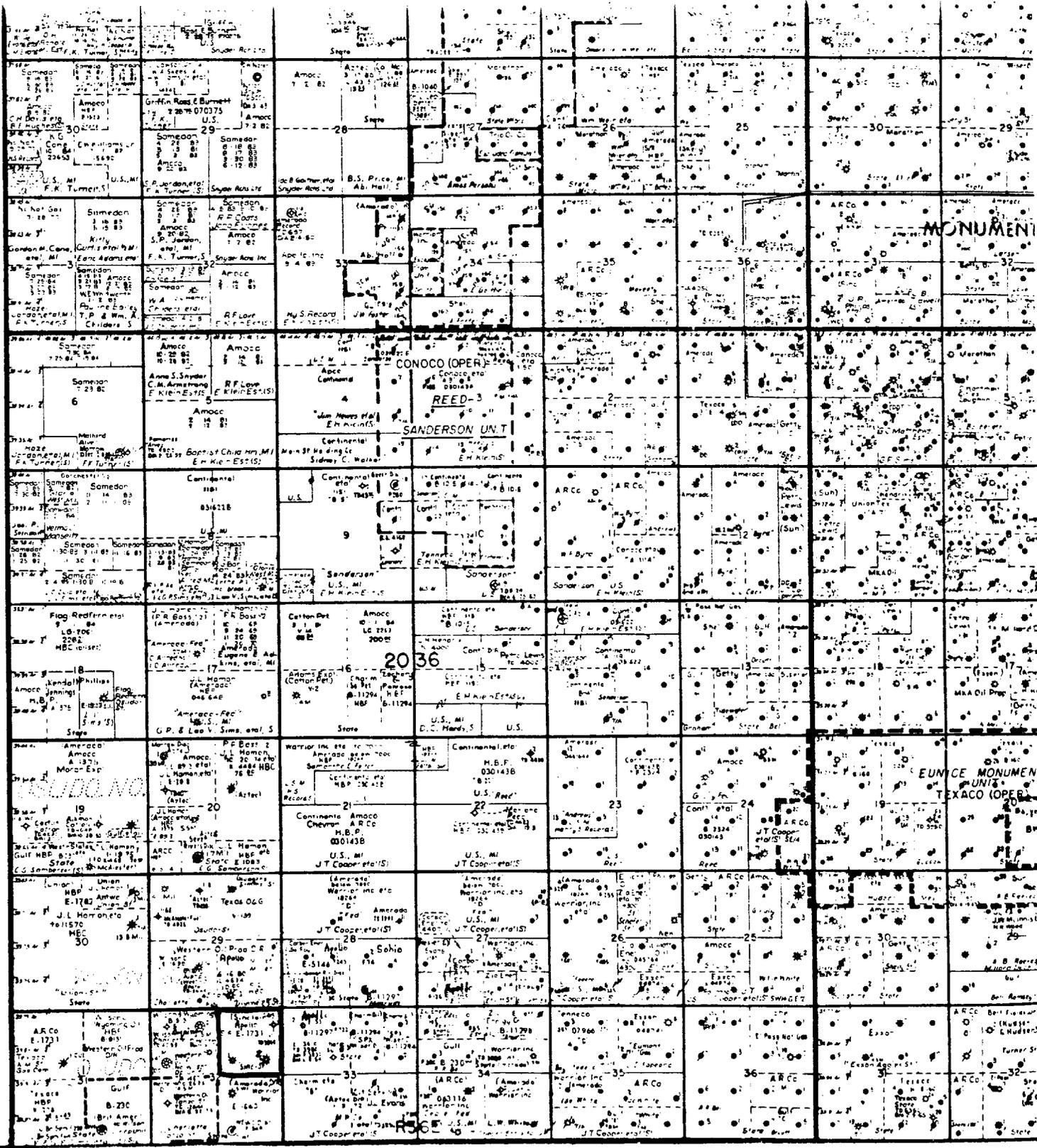
Betty L. Swafford
Notary Public

My commission Expires: September 18, 1987

CC: Oil Conservation Division
Hobbs, New Mexico
Phillips Petroleum Company
Warrior, Inc.
File



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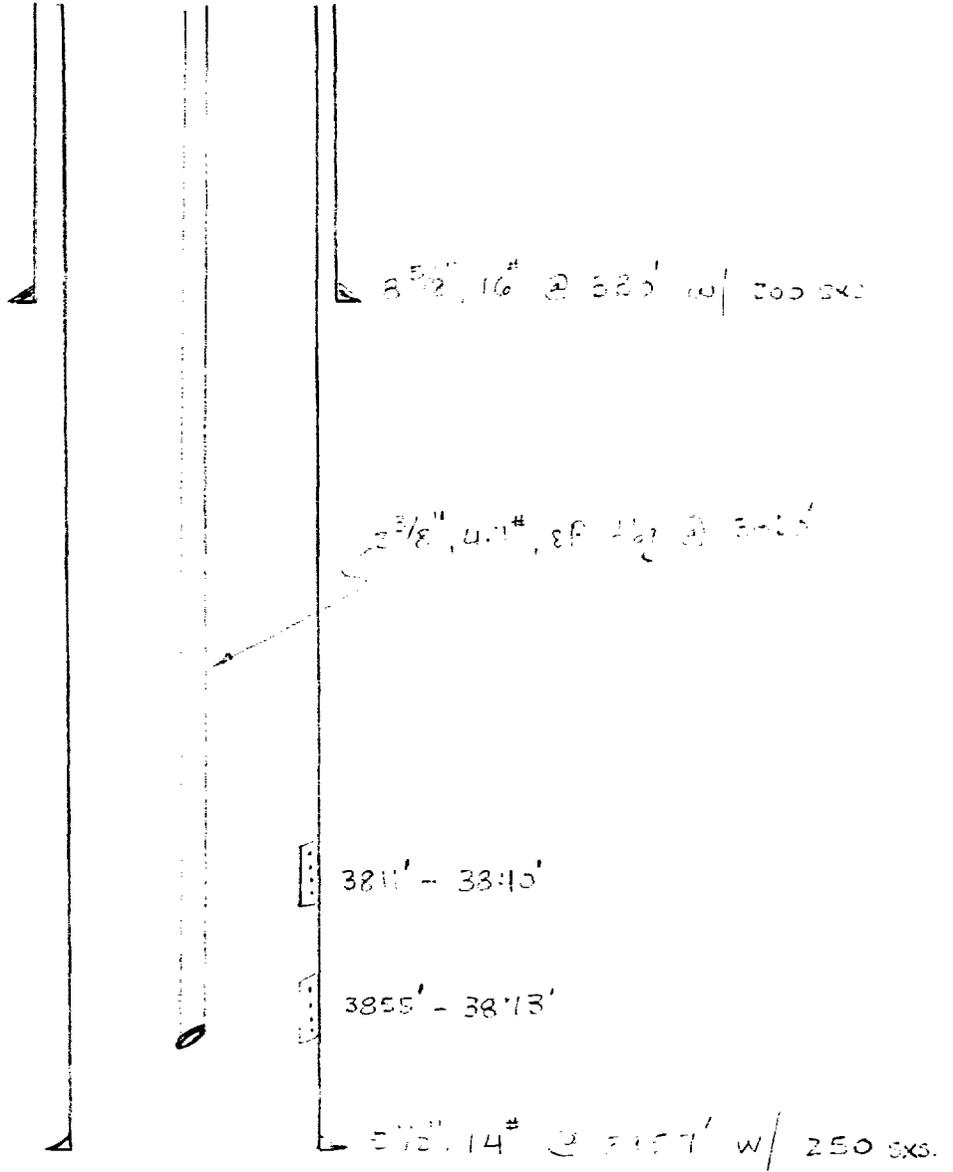


APOLLO ENERGY, INC.

CINCLAIR OPERATING UNIT 1

SE. 1/4 Sec. 10, T. 10 N., R. 10 E.

Lea Co. NM



NEW MEXICO OIL CONSERVATION COMMISSION
 Well Location and Acreage Dedication Plat

Date January 10, 1953

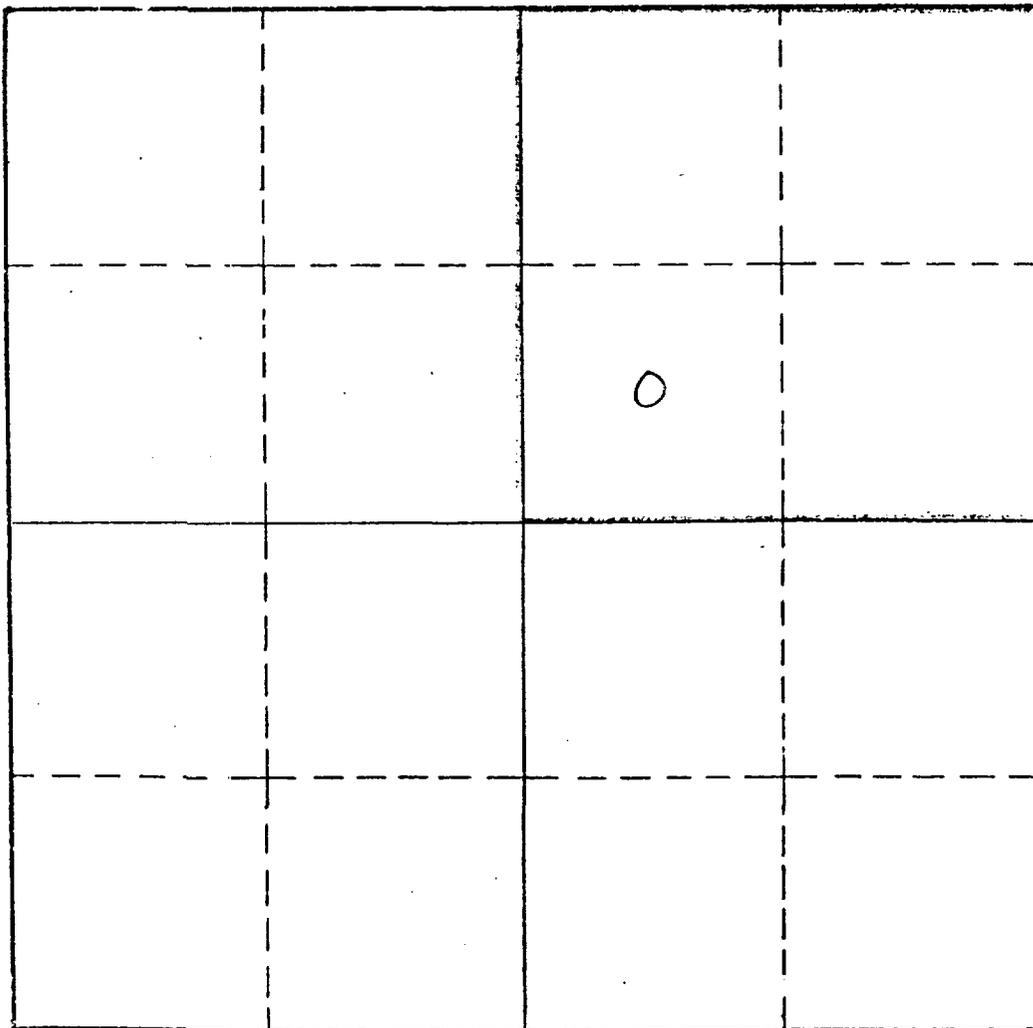
Section A.

Operator Bell Oil Company Ltd. Lease Sinclair-State
 Well No. 1 Unit Letter G Section 32 Township 20 S Range 36 E NMFM
 Located 1930 Feet From North Line, 1980 Feet From East Line
 County Lea G. L. Elevation _____ Dedicated Acreage 160.00 Acres
 Name of Producing Formation Basal Yates Sand Pool Undesignated

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
 Yes No
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes No . If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

<u>Owner</u>	<u>Land Description</u>

Section B



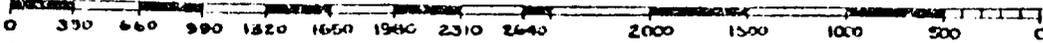
This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

Bell Oil Company Ltd.
 (Operator)
Robert N. Engfeld
 (Representative)

P.O. Box 80, Roswell, N.M.
 Address

This is to 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 _____

Registered Professional Engineer and/or Land Surveyor.



(See instructions for completing this form on the reverse side)

Certificate No. _____

APOLLO ENERGY, INC.
 P.O. BOX 5315
 5014 CARLSBAD HIGHWAY
 HOBBS, N.M. 88241
 ** JOINT INTEREST BILLING **
 DECEMBER 31, 1988

0188

80100 LABER WELL #1
 P.O. BOX 5315
 HOBBS, N.M. 88241

REFERENCE

37800 SINCLAIR STATE #1

LEASE OPERATING EXPENSE
 ADMINISTRATIVE CH
 UNIQUE

10000.000
 10000.000

TOTAL LEASE OPERATING EXPENSE

TOTAL FOR SINCLAIR STATE #1

ENDING BALANCE

APOLLO ENERGY, INC.
P.O. BOX 5315
5014 CARLSBAD HIGHWAY
HOBBS, N.M. 88241
** JOINT INTEREST BILLING **
JANUARY 31, 1986

PAGE 2

MOBILE OIL, MERCHANT
220 OAKROCK
HOBBS, N.M. 88240

INVOICE NO. 37,00-N1111-1-1986

	REFERENCE	YOUR %	TOTAL	YOUR SHARE
37800 SINCLAIR STATE #1				
LEASE OPERATING EXPENSE				
ARCO OIL AND GAS CO. SINCLAIR #1	01W30358	.12500000 ACP	75.81	9.48
ADMINISTRATIVE OH UNIQUE		.12500000 ACP .12500000 ACP	211.00 148.95	26.38 18.61
TOTAL LEASE OPERATING EXPENSE			435.76	54.47
TOTAL FOR SINCLAIR STATE #1			435.76	54.47
ENDING BALANCE				54.47

APOLLO ENERGY, INC.
 P.O. BOX 5315
 5014 CARLSBAD HIGHWAY
 HOBBS, N.M. 88241
 ** JOINT INTEREST BILLING **
 FEBRUARY 28, 1986

PAGE 9

MC117 M.Y. MERCHANT
 92E CAPROCK
 HOBBS, N.M. 88240

INVOICE NO. 37800-MC117-860228

REFERENCE	YOUR %	TOTAL	YOUR SHARE
37800 SINCLAIR STATE #1			
LEASE OPERATING EXPENSE			
ADMINISTRATIVE OH	.12500000 ACP	211.00	26.38
UNIQUE	.12500000 ACP	145.95	18.24
TOTAL LEASE OPERATING EXPENSE		356.95	44.62
TOTAL FOR SINCLAIR STATE #1		356.95	44.62
ENDING BALANCE			44.62

Case 8889

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator APOLLO ENERGY, INC. Contact Party M. Y. Merchant - President
Address P.O. BOX 5315, HOBBS, NEW MEXICO 88241 Phone No. (505)397-3596
Lease Sinclair State Well No. 2 UT H Sec. 32 TWP 20S RGE 36E
Pool Name Eumont Yates SRO Minimum Rate Requested 50 MCF PER DAY
Transporter Name Phillips Petroleum Co. Purchaser (if different) _____
Are you seeking emergency "hardship" classification for this well? yes no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

- 1) Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)
- 2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.
 - a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.
 - b) Mechanical condition of the well (provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:
 - i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.
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 - a) Permanent loss of productivity after shut-in periods (i.e., formation damage).
 - b) Frequency of swabbing required after the well is shut-in or curtailed.
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 - d) Actual cost figures showing inability to continue operations without special relief
- 4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost
- 5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by:
 - a) Minimum flow or "log off" test; and/or
 - b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).
- 6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.
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GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

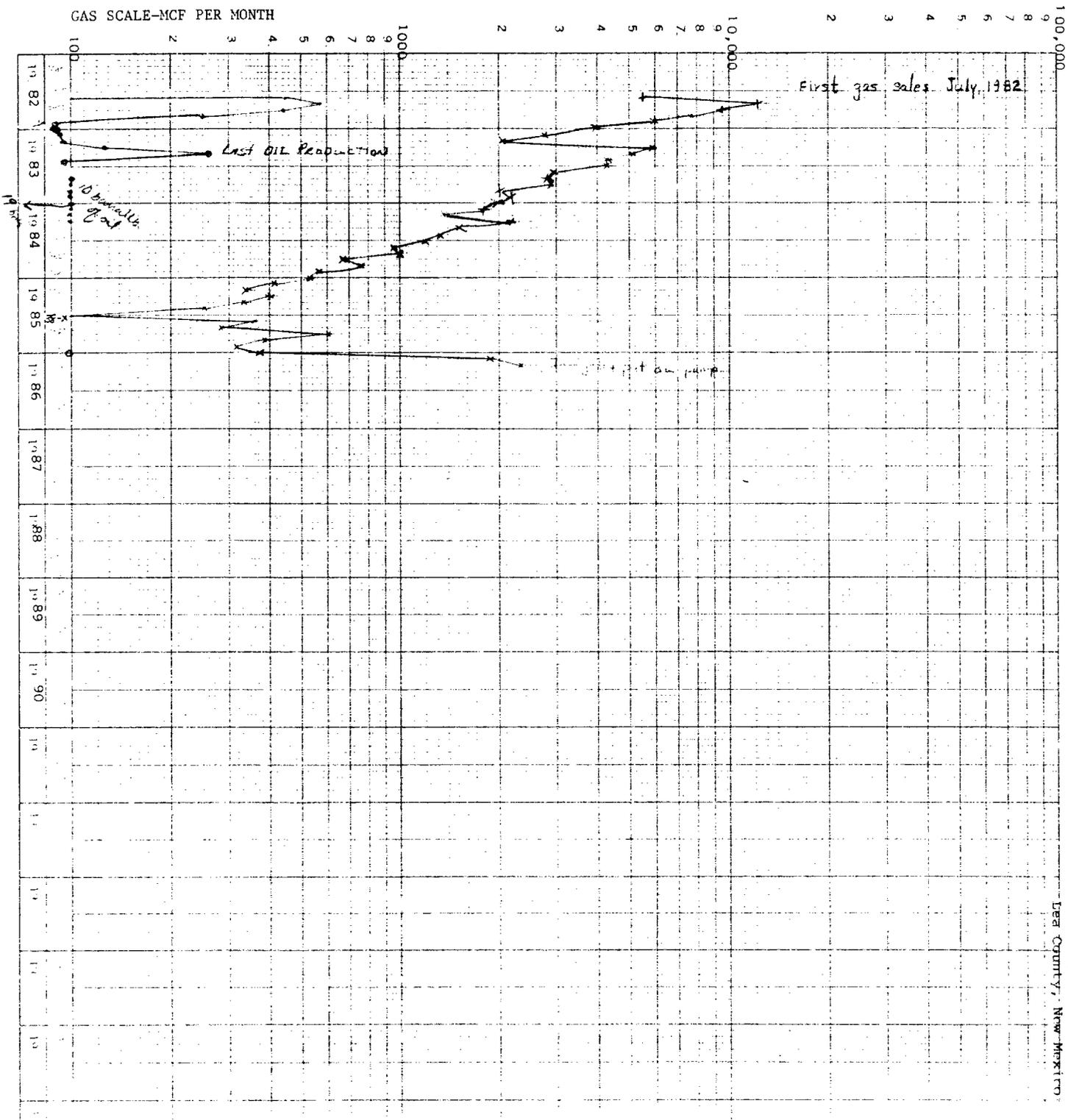
1) Definition of Underground Waste.

"Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

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- 5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.
- 6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 20 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.
- 7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.
- 8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.
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0-0-0-0 Barrels per month of Oil

GAS SCALE-MCF PER MONTH



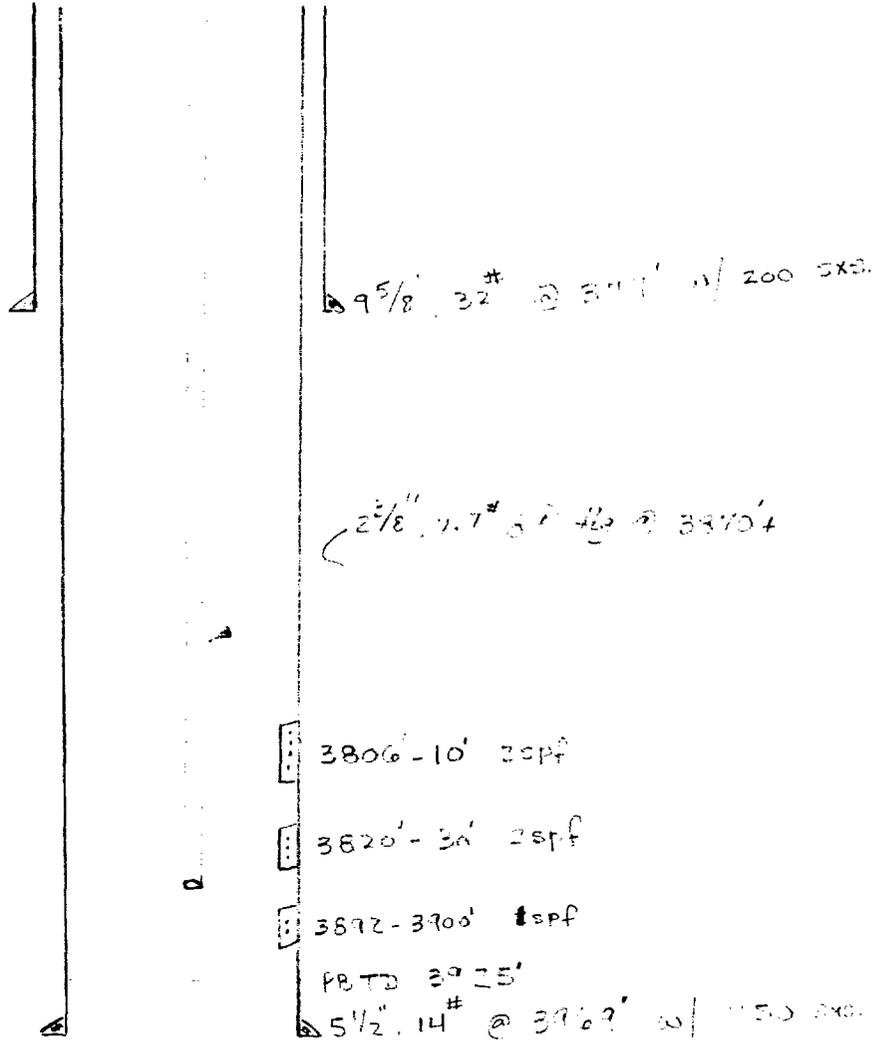
APOLLO ENERGY, INC.
Sinclair State No. 2
Sec. 32, T-20S, R-36E
Lea County, New Mexico

APOLLO ENERGY, INC.

SINCLAIR STATE No. 2

SEC. 32, T00S, R28F

LEE COUNTY, NM



**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

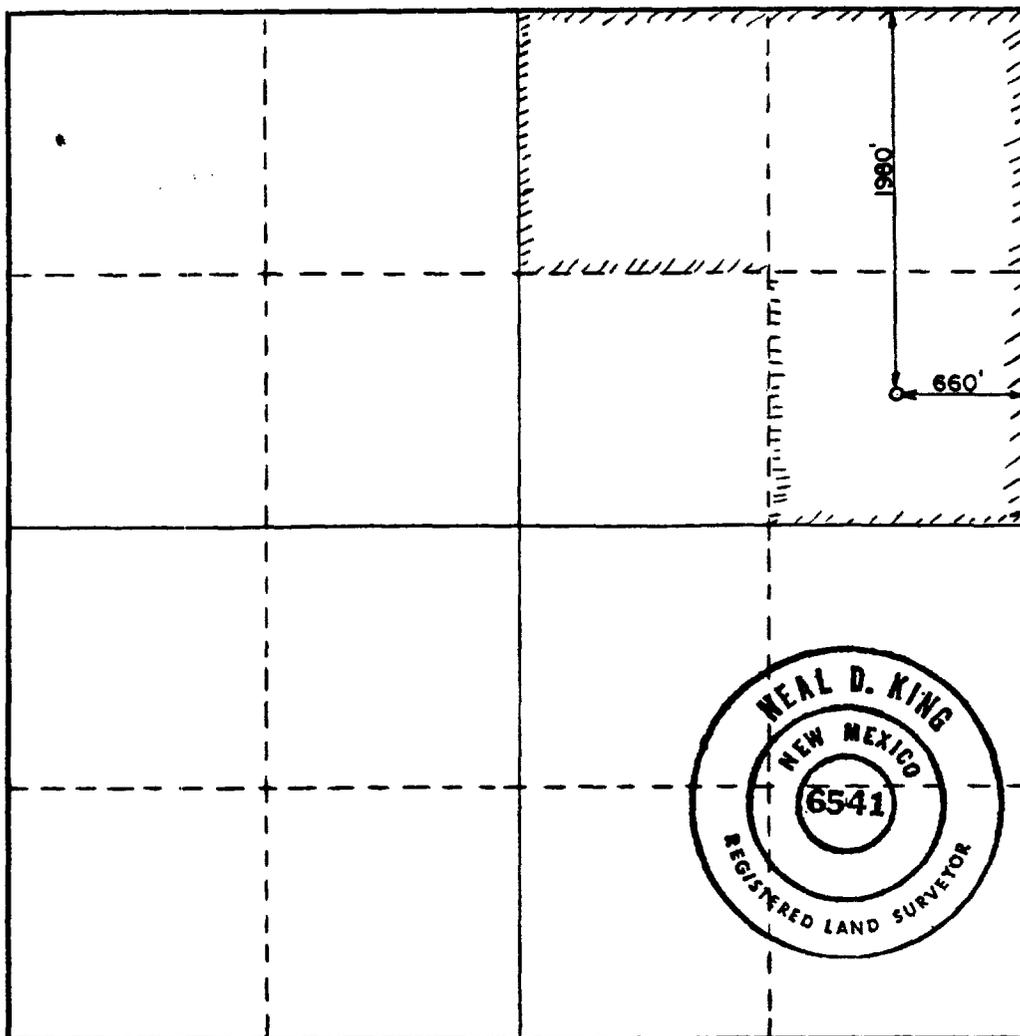
Operator Apollo Energy, Inc.		Lease Sinclair State			Well No. 2
Unit Letter H	Section 32	Township 20 South	Range 36 East	County Lea	
Actual Footage Location of Well: 660 feet from the East line and 1980 feet from the North line					
Ground Level Elev. 3608.9	Producing Formation Queen		Pool Eumont	Dedicated Acreage: 120 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
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).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name Mohammed Yamin Merchant
Position V.P. & Sec. Treas.
Company Apollo Energy, Inc.
Date December 29, 1981

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
December 22, 1981

Registered Professional Engineer and/or Land Surveyor

Neal D. King

Certificate No. **6541**

APOLLO ENERGY, INC.
P.O. BOX 5319
5014 CARLSBAD HIGHWAY
HOBBS, N.M. 88241
**** JOINT INTEREST BILLING ****
DECEMBER 31, 1985

80103 BABER WELL SERVICE
 P.O. BOX 1772
 HOBBS, N.M. 88240

INVOICE NO. 3190-85-11

REFERENCE

37900 SINCLAIR STATE #2

LEASE OPERATING EXPENSE

ADMINISTRATIVE OH

10000000 ACP

119.50

119.50

UNIQUE

10000000 ACP

149.50

149.50

TOTAL LEASE OPERATING EXPENSE

269.00

269.00

TOTAL FOR SINCLAIR STATE #2

269.00

269.00

ENDING BALANCE

269.00

269.00

APOLLO ENERGY, INC.
P.O. BOX 5315
5014 CARLSBAD HIGHWAY
HOBBS, N.M. 88241
** JOINT INTEREST BILLING **
JANUARY 31, 1986

PAGE 10

37900 M.V. MERCHANT
925 CAFROCK
HOBBS, N.M. 88240

INVOICE NO. 87903-40110-1-1

	REFERENCE	YOUR %	TOTAL	YOUR SHARE
37900 SINCLAIR STATE #2				
LEASE OPERATING EXPENSE				
ARCO OIL AND GAS CO. SINCLAIR #2	01W30358	.12500000 ACP	77.91	9.79
ADMINISTRATIVE OH UNIQUE		.12500000 ACP .12500000 ACP	211.00 145.95	26.35 18.24
TOTAL LEASE OPERATING EXPENSE			433.86	54.31
AFE INTANGIBLES				
BABER WELL SERVICE SINCLAIR #2	60170	.12500000 ACP	2,031.17	253.90
DIAMOND RENTAL SINCLAIR #2	13677	.12500000 ACP	210.48	26.31
DIAMOND RENTAL SINCLAIR #2	13679	.12500000 ACP	3,648.75	456.09
DIAMOND RENTAL SINCLAIR #2	13678	.12500000 ACP	2,551.36	318.92
HALLIBURTON SERVICES SINCLAIR #2	224588	.12500000 ACP	1,753.17	219.15
LIBERTY PUMP SINCLAIR #2	7818	.12500000 ACP	763.22	95.40
LIBERTY PUMP SINCLAIR #2	7817	.12500000 ACP	690.32	86.29
TRICO SINCLAIR #2	1279364	.12500000 ACP	462.43	57.80
UNION SUPPLY SINCLAIR #2	189725	.12500000 ACP	186.95	23.37
TOTAL AFE INTANGIBLES			12,797.85	1,604.72
TOTAL FOR SINCLAIR STATE #2			15,475.72	1,957.35
ENCLOSURE BALANCE				

u/l

APOLLO ENERGY, INC.
P.O. BOX 5315
5014 CARLSBAD HIGHWAY
HOBBS, N.M. 88241
** JOINT INTEREST BILLING **
FEBRUARY 28, 1986

PAGE 10

M0117 M.Y. MERCHANT
920 CAPROCK
HOBBS, N.M. 88240

INVOICE NO. 37900-M0117-860.28

	REFERENCE	YOUR %	TOTAL	YOUR SHARE
37900 SINCLAIR STATE #2				
LEASE OPERATING EXPENSE				
CAPROCK PACKER SINCLAIR #2	670	.12500000 ACP	466.87	58.36
RALPH JOHNSON RIG SINCLAIR #2	NO124	.12500000 ACP	2,632.76	329.10
SPS		.12500000 ACP	20.45	2.56
ADMINISTRATIVE OP		.12500000 ACP	211.00	26.38
UNIQUE		.12500000 ACP	145.95	18.24
TOTAL LEASE OPERATING EXPENSE			3,477.03	434.64
TOTAL FOR SINCLAIR STATE #2			3,477.03	434.64
ENDING BALANCE				434.64

Case 8889

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator APOLLO ENERGY, INC. Contact Party M. Y. Merchant - President
Address P.O. BOX 5315, HOBBS, NEW MEXICO 88241 Phone No. (505) 397-3596
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 - a) Minimum flow or "log off" test; and/or
 - b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).
- 6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.
- 7) Submit any other appropriate data which will support the need for a hardship classification.
- 8) If the well is in a prorated pool, please show its current under- or over-produced status.
- 9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

1) Definition of Underground Waste.

"Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

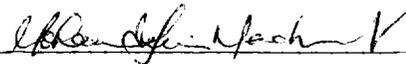
- 2) The only acceptable basis for obtaining a "hardship" classification is prevention of waste with the burden of proof solely on the applicant. The applicant must not only prove waste will occur without the "hardship" classification, but also that he has acted in a responsible and prudent manner to minimize or eliminate the problem prior to requesting this special consideration. If the subject well is classified as a "hardship" well, it will be permitted to produce at a specified minimum sustainable rate without being subject to shut-in by the purchaser due to low demand. The Division can rescind approval at any time without notice and require the operator to show cause why the classification should not be permanently rescinded if abuse of this special classification becomes apparent.
- 3) The minimum rate will be the minimum sustainable rate at which the well will flow. If data from historical production is insufficient to support this rate (in the opinion of the Director), or if an offset operator or purchaser objects to the requested rate, a minimum flow ("log off") test may be required. The operator may, if he desires, conduct the minimum flow test, and submit this information with his application.
- 4) If a minimum flow test is to be run, either at the operator's option or at the request of the Division, the offset operators, any protesting party, the purchaser and OCD will be notified of the date of the test and given the opportunity to witness, if they so desire.
- 5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.
- 6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 20 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.
- 7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.
- 8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.
- 9) After a well receives a "hardship" classification, it will be retained for a period of one year unless rescinded sooner by the Division. The applicant will be required to certify annually that conditions have not changed substantially in order to continue to retain this classification.
- 10) Nothing here withstanding, the Division may, on its own motion, require any and all operators to show cause why approval(s) should not be rescinded if abuse is suspected or market conditions substantially change in the State of New Mexico.
- 11) A well classified as a "hardship well" will continue to accumulate over and under production (prorated pools). Should allowables exceed the hardship allowable assigned, the well will be permitted to produce at the higher rate, if capable of doing so, and would be treated as any other non-hardship well. Any cumulative overproduction accrued either before or after being classified "hardship" must, however, be balanced before the well can be allowed to produce at the higher rate.

Divine "29" State No. 1

1. Divine "29" State No. 1 was drilled and completed January 13, 1983. After the initial testing (495 MCFD) well was shut-in for 30+ days waiting on pipeline connection, when it had to be put on pump to produce. It lost its initial production rate and even re-fracing failed to return the well to its maximum ability to produce. Based on past performance, current shut-in will cause rods and pump to stick (paraffin and iron sulfide problems) but also has a good chance well will not produce 50 MCFD.
2. (a) Well was drilled and completed January 13, 1983. Started to produce by beam pumping unit March, 1983.
3. (a) Above explanation. Without production well will have to be plugged and will lose the lease because of non-production. Cost - \$600 per month to operate including electric cost.

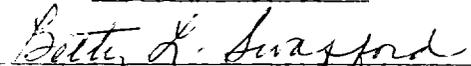
(d) Copies of Joint Interest Billing for past 3 months shows operating cost of well.
4. If well is plugged, under the current price structure, loss of reserves will be 102 MMCF.
5. Production history - Decline curves is a good documentation as to the ability of this well to produce.
6. This well also produces about 1 BOPD and by definition certainly does not classify as a gas well.

I, Mohammed Yamin Merchant, certify the above statement and information submitted with application is true and correct to the best of my knowledge, that one copy of the application has been submitted to the Hobbs Division District office and notice of the application has been given to Phillips Petroleum Company, transporter and purchaser, and all off-set operators.


 Mohammed Yamin Merchant
 President

State of New Mexico)
)
 County of Lea)

The foregoing instrument was acknowledged before me this 8th day of April, 1986, by Mohammed Yamin Merchant.


 Betty L. Swafford
 Notary Public

My Commission Expires: September 19, 1987

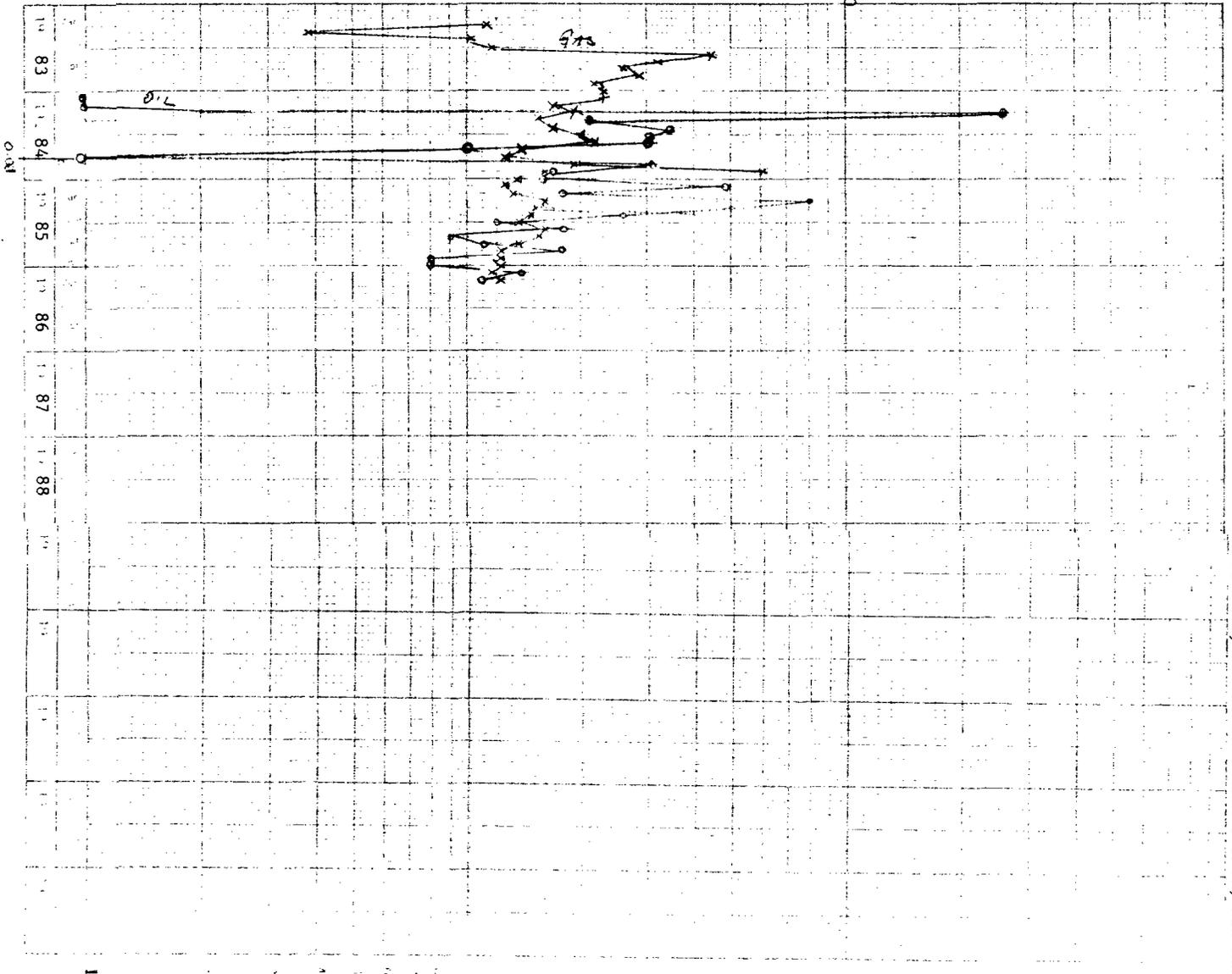
CC: Oil Conservation Division
 Hobbs, New Mexico
 Phillips Petroleum Company
 Warrior, Inc.
 File

100000

APOLLO ENERGY, INC.
DIVINE "29" STATE NO. 1
SEC. 29, T-20S-R36E, LEA COUNTY, NEW MEXICO

X-X-X-X MCF PER MONTH OF GAS

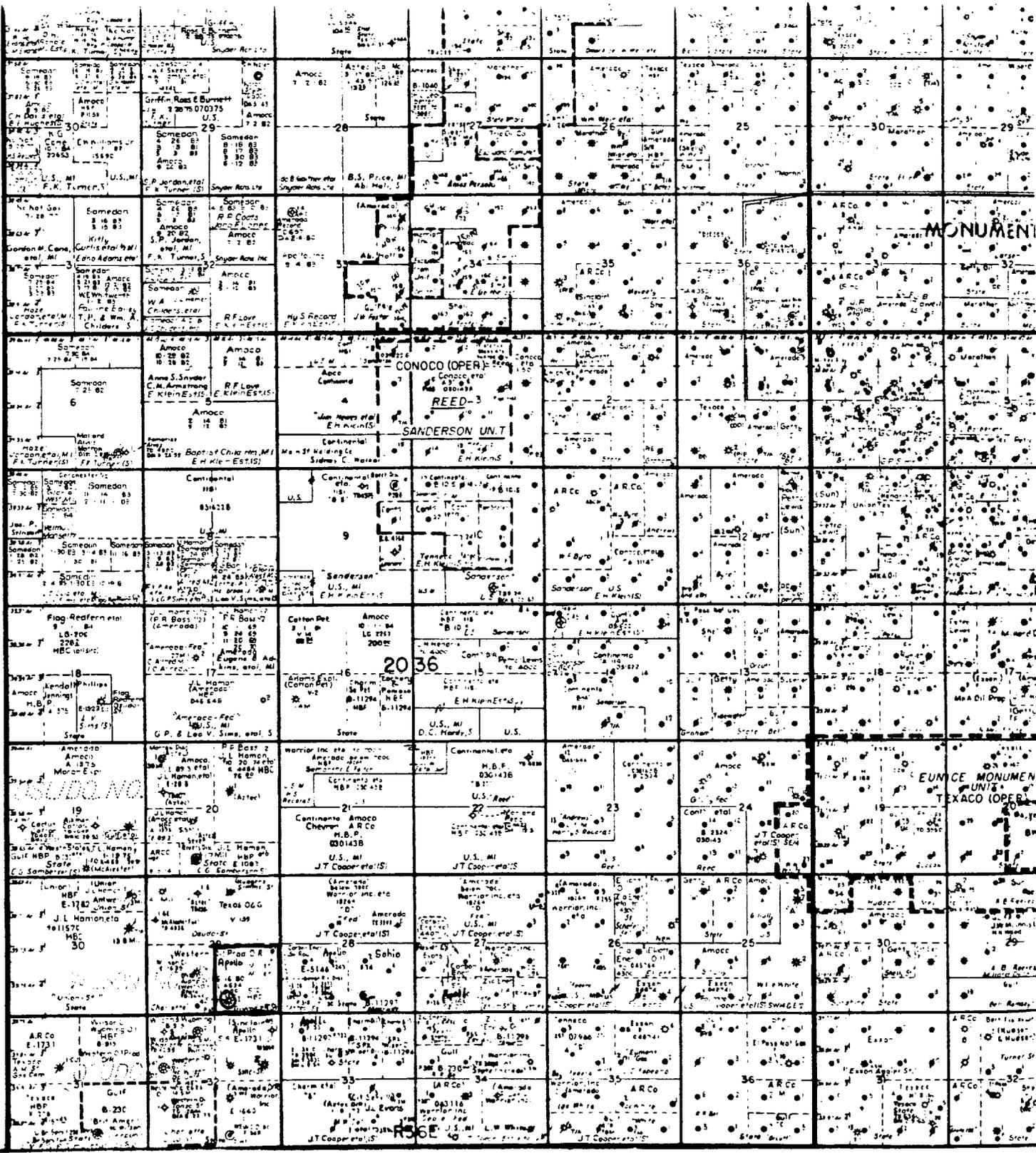
GAS SCALE - MCF PER MONTH



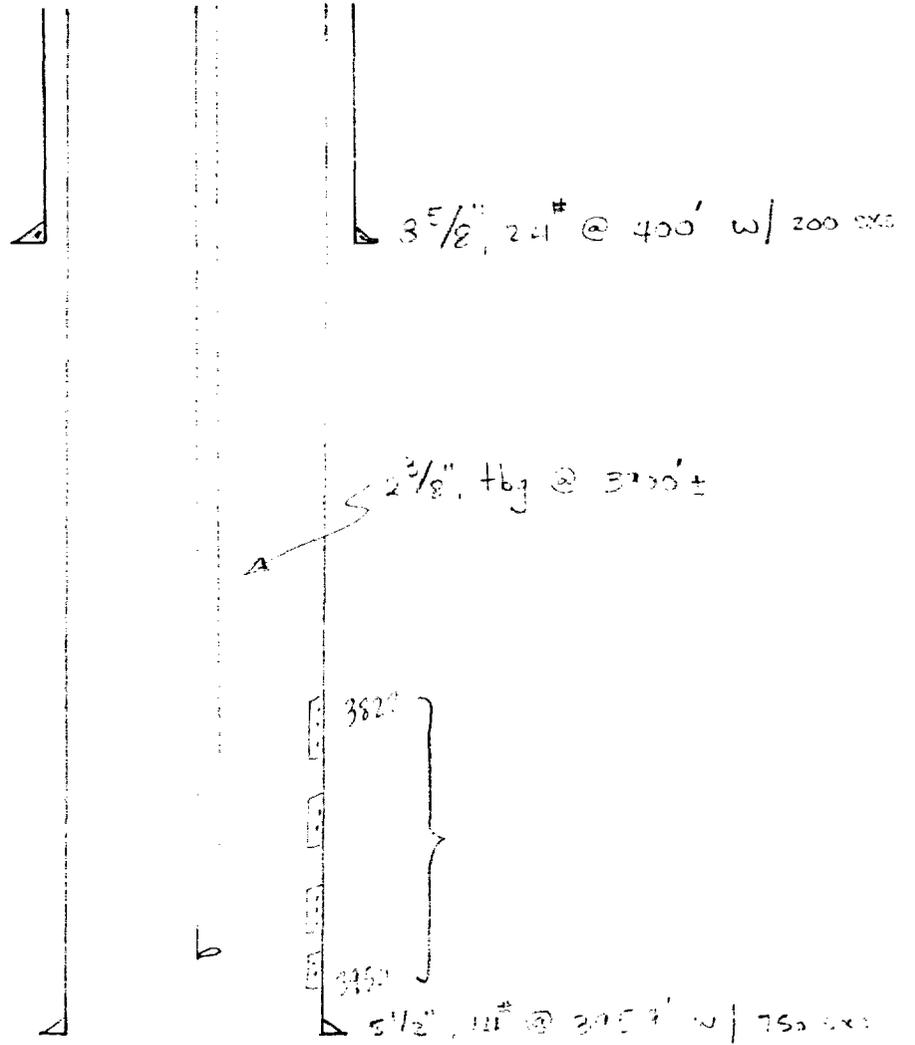
OIL SCALE - MCF PER MONTH

0.01

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20
S



APOLLO ENERGY, INC.
DIVINE '29' ST. 1
SEC. 29, T20N2, R3E2E
LEA COUNTY, NM



NEW MEXICO OIL CONSERVATION COMMISSION
 WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
 Supersedes C-128
 Effective 1-1-65

All distances must be from the outer boundaries of the Section

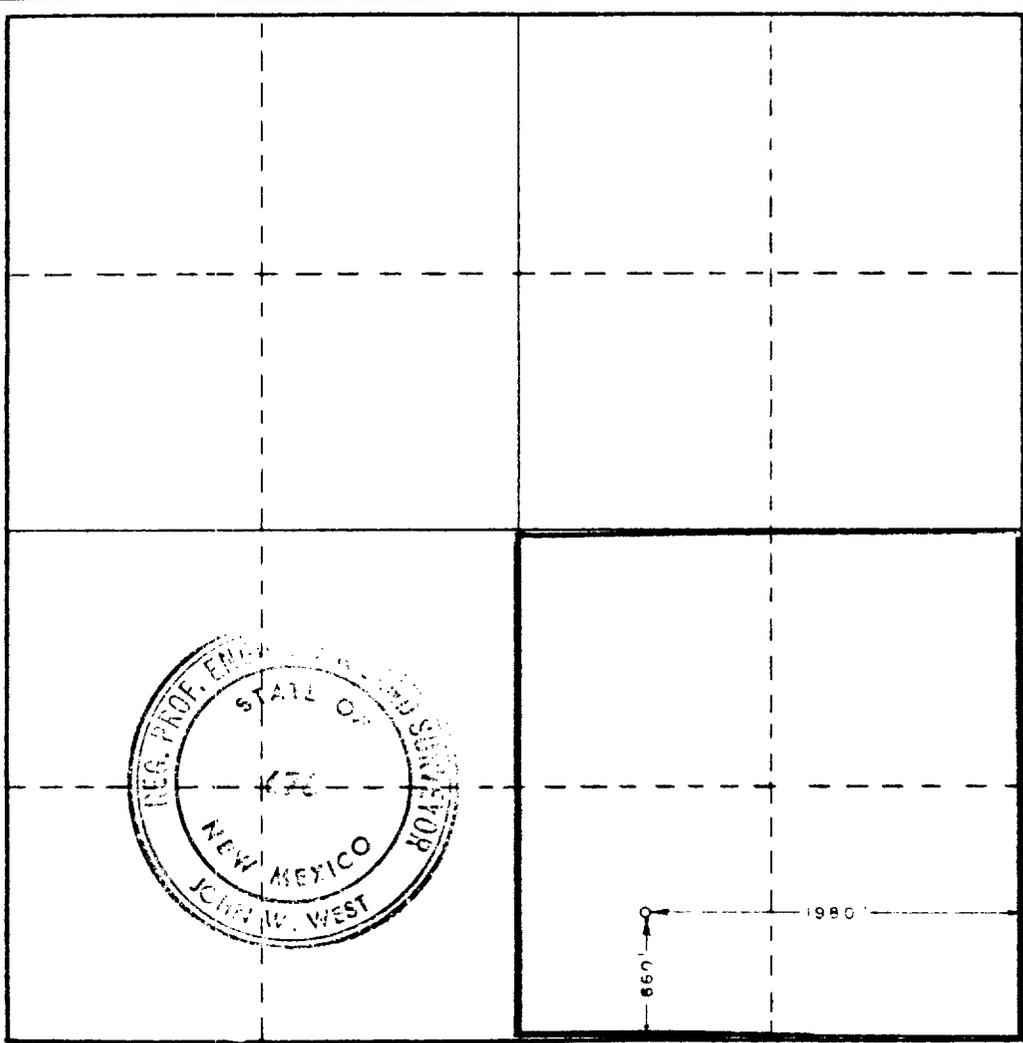
Operator APOLLO ENERGY, INC.			Lease DIVINE 29 STATE			Well No. 1
Unit Letter 0	Section 29	Township 20 SOUTH	Range 36 EAST	County LEA		
Actual Footage Location of Well: 660 feet from the SOUTH line and 1980 feet from the EAST line						
Ground Level Elev. 3618.6	Producing Formation <i>Green</i>		Pool <i>Sweet Water 7 Pools</i>		Dedicated Acreage 130 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

John W. West

Name

Position

Company

Date

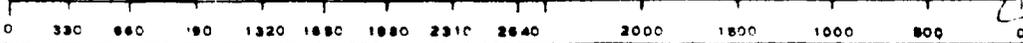
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveys
10/07/82

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. **JOHN W. WEST 676**
PATRICK A. ROMERO 6663
Ronald J. Eidson 3239



APOLLO ENERGY, INC.

P.O. BOX 5315
5014 CARLSBAD HIGHWAY
HOBBS, N.M. 88241

** JOINT INTEREST BILLING **
DECEMBER 31, 1985

BOYD: FABER WELL SAF III
P.O. BOX 5315
HOBBS, N.M. 88241

INVOICE NO. 14,000,000

REFERENCE TO DIVISION TOTAL

19400 DIVINE "29"

LEASE OPERATING EXPENSE

SPS	10-050000 ACP	23.71	2.56
ADMINISTRATIVE CH	10-050000 ACP	181.00	19.15
UNIQUE	10-050000 ACP	145.87	15.42

TOTAL LEASE OPERATING EXPENSE 350.58 37.13

TOTAL FOR DIVINE "29" 350.58 37.13

ENDING BALANCE 15.73

APOLLO ENERGY, INC.
 P.O. BOX 5315
 5014 CARLSBAD HIGHWAY
 HOBBS, N.M. 88241
**** JOINT INTEREST BILLING ****
 JANUARY 31, 1986

MO117 M.V. MERCHANT
 920 CAPROCK
 HOBBS, N.M. 88240

INVOICE NO. 19400-MO117-860181

	REFERENCE	YOUR %	TOTAL	YOUR SHARE
19400 DIVINE "29"				
LEASE OPERATING EXPENSE				
AXELSON	871469	.15625000 ACP	64.49	10.00
DIVINE				
BABER WELL SERVICE	5660	.15625000 ACP	1,074.30	167.86
DIVINE				
SPS		.15625000 ACP	31.13	4.86
ADMINISTRATIVE OH		.15625000 ACP	336.00	36.88
UNIQUE		.15625000 ACP	145.95	22.80
			-----	-----
TOTAL LEASE OPERATING EXPENSE			1,551.87	242.48
			-----	-----
TOTAL FOR DIVINE "29"			1,551.87	242.48
			-----	-----
ENDING BALANCE				242.48
				=====

APOLLO ENERGY, INC.
P.O. BOX 5315
 5014 CARLSBAD HIGHWAY
 HOBBS, N.M. 88241
**** JOINT INTEREST BILLING ****
 FEBRUARY 28, 1986

PAGE 3

MD107 M.V. MERCHANT
 920 CAPROCK
 HOBBS, N.M. 88240

INVOICE NO. 19400-MD107-1-1-1-1-1

REFERENCE	AMOUNT	TOTAL	AMOUNT PAID
19400 DIVINE "29"			
LEASE OPERATING EXPENSE			
SPS	.15625000 ACP	31.14	4.87
ADMINISTRATIVE OH	.15625000 ACP	36.10	36.88
UNIQUE	.15625000 ACP	14.75	12.80
TOTAL LEASE OPERATING EXPENSE		82.00	54.55
TOTAL FOR DIVINE "29"		82.00	54.55
ENDING BALANCE			54.55