

PETRUS OIL COMPANY, L.P.
400 WEST ILLINOIS
INDEPENDENCE PLAZA BUILDING, SUITE 940
MIDLAND, TEXAS 79701
915/683-9452

October 27, 1987

New Mexico Oil Conservation Division
Box 2088
Santa Fe, New Mexico 87505-2088

Attention: Mr. David Catanach Re: Case #9241
Petrus Oil Company, L.P.
Henshaw Federal #1
Eddy County, New Mexico

Dear Mr. Catanach:

The text of this letter is a follow up to the referenced hearing that was conducted on Wednesday, October 21, 1987. It concerns the question raised as to the possible relationship of the producing Lower Atoka sand in the recently completed Petrus Oil Company Henshaw Federal #1 (Section 14, 16S-30E) and the producing gas sand in the Little Lucky Lake Field 4-1/2 miles to the north.

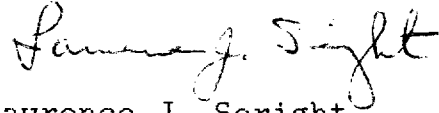
From a log standpoint, both sand zones are in the base of the Atoka and by interval appear to be correlative. From a time depositional standpoint, the sand at Little Lucky Lake was probably deposited at approximately the same time as in the Henshaw area which is further basinward. Migration into these sands would probably have been simultaneous so the hydrocarbon characteristics should be the same. There are no wells deep enough between Little Lucky Lake and the Henshaw well that have penetrated the Atoka section, but we know that the reservoir sand in question is not a blanket sand covering the entire area. This is evidenced by 16 other wells within a 10 mile radius of the two producing areas not having the sand developed. Further development drilling at Little Lucky Lake has been restricted by loss of sand on the flanks of the field, especially to the south, which indicates deposition was not continuous.

The depositional environment of the Atoka sand was probably deltaic and in the form of offshore bars. Isopachous mapping of the sand in the two areas indicates a NE-SW alignment to the interpreted bars which puts them in a staggered or offset position rather than in a continuous depositional trend which would indicate separation as bar sands do not normally meander that much. The hydrocarbon trapping mechanism in both producing areas is interpreted to be a draping of the sand bodies over deeper structure which is much in evidence at Little Lucky Lake and under the Henshaw Federal #1. Both of these mapped structures are isolated.

New Mexico Oil Conservation Division
David Catanach
October 26, 1987
Page 2

In conclusion, I feel there is sufficient evidence, based on a study of the overall area, to indicate the producing sand in question is not a continuous reservoir.

Sincerely,

A handwritten signature in cursive script, reading "Lawrence J. Seright".

Lawrence J. Seright
Certified Petroleum Geologist
Number 3100

LJS:lr

xc: Mike Erwin
Scott Hall

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS
MARTE D. LIGHTSTONE

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

November 11, 1987

David Catanach
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Re: Case #9241: Application of Petrus Oil Company for Pool
Creation and Unorthodox Gas Well Location, Eddy County,
New Mexico

Dear Dave:

Enclosed are copies of the offsetting interest owners in the above referenced case along with photocopies of the certified mail receipts. We ask that these materials be made a part of the record in this case. Also, I am advised that the geologic interpretation with respect to the continuity of the Little Lucky Lake and Henshaw Lower Penn fields have been forwarded to you under separate cover. Please let me know if you have not received that information.

Please let me know if you require anything further in this matter.

Very truly yours,


J. Scott Hall

JSH/dmg
cc: Michael Erwin

PETRUS OIL COMPANY, L.P.

12377 MERIT DRIVE, SUITE 1600 DALLAS, TEXAS 75251
(214) 788-3300 FACSIMILE (214) 788-3399

October 20, 1987

WORKING INTEREST OWNERS
HENSHAW FEDERAL #1

WORKING INTEREST OWNERS
HENSHAW DEEP UNIT

RE: Henshaw Federal #1
Eddy County, New Mexico

Gentlemen:

This is to provide a notification that a hearing is scheduled for October 21, 1987 for Petrus' application for an unorthodox location and special gas pool rules on our Henshaw Federal #1, located 330' FSL and 1750' FWL of Section 14, Township 16-S, Range 30-E in Eddy County, New Mexico.

This notice is in accordance with our fiduciary responsibility as operator to notify each working interest partner of this hearing. Due to the delay in your notification there will be a 20-day delay in the final ruling on this matter. You may contact the Oil Conservation Division during this 20 day period, should you have any concerns or objections.

Sincerely,

Suzann L. Jourdan
Regulatory Coordinator

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

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Primary Fuels, Inc.
 One Memorial City Plaza
 820 Gessner Suite 600
 Houston, Texas 77024

4. Type of Service:

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☐ Express Mail

Article Number

P 551 697 605

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3. Article Addressed to:

Cities Service Oil and Gas
 P. O. Box 300
 Tulsa, OK 74101

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Article Number

P 246 084 513

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3. Article Addressed to:

Texaco Production Inc.
 P. O. Box 3109
 Midland, Texas 79702

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Article Number

P 246 084-518

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3. Article Addressed to:

Exxon Company USA
Joint Interst Manager
P. O. Box 1700
Midland, Texas 79702

4. Type of Service:

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Article Number

P 246 084 516

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5. Signature - Addressee

X *BS*

6. Signature - Agent

X *Craig Penning*

7. Date of Delivery

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3. Article Addressed to:

Joseph I. O'Neill Jr.
P. O. Box 2840
Midland, Texas 79702

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☐ Express Mail

Article Number

P 246 084 517

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5. Signature - Addressee

X

6. Signature - Agent

X *J. Hearn*

7. Date of Delivery

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DOMESTIC RETURN REC

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3. Article Addressed to:

Walter Duncan
100 Park Avenue Building
Oklahoma, OK 73102

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Article Number

P 246 084 515

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5. Signature - Addressee

X *W. Anderson*

6. Signature - Agent

X

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3. Article Addressed to:

Dexter Resources Company
P. O. Box 7015
Midland, Texas 79708

4. Type of Service:

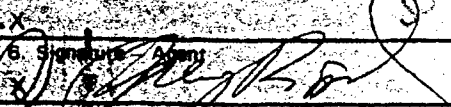
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Article Number

P 246 084 519

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6. Signature - Agent

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1. ☐ Show to whom, date and address of delivery.
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3. Article Addressed to:

Conoco Inc.
Manager of Production
P. O. Box 460
Hobbs, NM 88240

4. Type of Service:

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

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P 246 084 514

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3. Article Addressed to:

Flag Redfern Oil Company
P. O. Box 11050
Midland, TX 79702

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Article Number

P 551 697 606

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DOMESTIC RETURN RECEIPT

PETRUS OIL COMPANY, L.P.

12377 MERIT DRIVE, SUITE 1600 DALLAS, TEXAS 75251
(214) 788-3300 FACSIMILE (214) 788-3399

October 28, 1987

OFFSET OPERATORS

RE: Henshaw Federal #1
1750' FWL & 330' FSL
Sec. 14, T16S, R30E
Eddy County, New Mexico

Gentlemen:

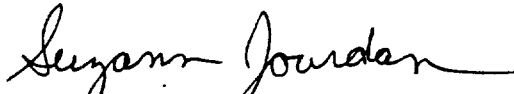
Enclosed is a copy of Petrus' amended application for an unconventional location and creation of a gas pool for the above captioned well.

This matter was heard by the Oil Conservation Division on October 21, 1987 and will be held open to hear again on November 18.

You need not attend, but failure to attend and enter your appearance of record will prevent you from participating in these proceedings at a later date.

Please note that as operator it is your responsibility to notify the working interest of this matter.

Sincerely,


Suzann Jourdan
Regulatory Coordinator

AMOCO PRODUCTION COMPANY
P.O. BOX 249
ANDREWS, TX 79714

MOBIL TEXAS & NEW MEXICO PRODUCING
9 GREENWAY PLAZA, SUITE 2700
HOUSTON, TX 77046

ARMSTRONG
P.O. BOX 1973
ROSWELL, NM 88201

DUNCAN OIL
1777 SOUTH HARRISON
PENTHOUSE 1
DENVER, CO 80210

B&W OIL COMPANY
ROUTE 252
NORTH HALDEMAN ROAD
ARTESIA, NM 88210

MOREOILCO, INC.
P. O. DRAWER 1
ARTESIA, NM 88210

HANSON OPERATING COMPANY
P.O. BOX 1515
ROSWELL, NM 88202

KAISER-FRANCIS
C. T. CORP. BUILDING
6733 SOUTH YALE
TULSA, OK 74121

MERWIN OIL COMPANY
1300 MAIN, SUITE 707
HOUSTON, TX 77002

TEXACO
P. O. BOX 3109
MIDLAND, TX 79702

SHELL WESTERN E&P, INC.
P.O. BOX 576
HOUSTON, TX 77001

J. I. O'NEILL
P. O. BOX 2840
MIDLAND, TX 79702

YATES PETROLEUM CORPORATION
1669 SOUTH VOSS, SUITE 355
HOUSTON, TX 77057

PHILLIPS PETROLEUM COMPANY
4001 PENBROOK
ODESSA, TX 79762