

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
GOVERNOR

JENNIFER SALISBURY
CABINET SECRETARY

May 20, 1997

Penwell Energy, Inc.
600 North Marienfeld, Suite 1100
Midland, Tx. 79701
Attn: Brenda Coffman

Re: Filaree "24" Com. #1
Sec. 24, T-22-S, R-25-E
2370' FNL & 660' FEL
Eddy County, New Mexico

Dear Brenda,

I am returning your form C-104 (Request for Allowable and Authorization to Transport)
unapproved.

The reason for the C-104 not being approved is that the above referenced Morrow gas well is considered a non-standard location. As of this date we have no record in Santa Fe of an approval. Please refer to the Oil Conservations Rules and Regulations Book on well spacing Rule 104 for further clarification. We also will need a deviation survey report supplied from your drilling contractor.

If you have any questions please give me a call.

Yours Truly,



BryanG. Arrant
District II Geologist