



KEN REYNOLDS-PRESIDENT
GARY W. CHAPPELL-VICE PRESIDENT

DRILLING CO., INC. - OIL WELL DRILLING CONTRACTORS

P. O. Box 1498 ROSWELL, NEW MEXICO 88202-1498
505/623-5070 505/746-2719
ROSWELL, NM ARTESIA, NM

June 22, 1998

Penwell Energy, Inc.
600 N. Marienfeld, Suite 1100
Midland, Texas 79701

RE: Loper "34" State #1

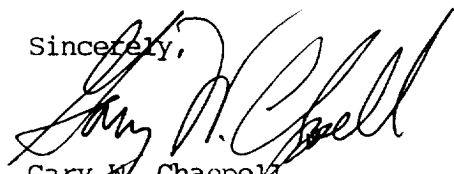
Gentlemen:

RECEIVED June 24, 1998
WELL #: new 10042-06
VENDOR #: 92850
INV. CODE: _____
AGE #: _____
APPROVED: _____
ENTERED: _____
NO: _____

The following is a Deviation Survey on the above referenced well located in Eddy County, New Mexico.

205' - 1/2°	1,765' - 3/4°	2,746' - 1 3/4°	3,537' - 3°	4,429' - 2 3/4°
454' - 3/4°	1,955' - 1°	2,841' - 1 1/4°	3,631' - 3°	4,714' - 2 1/4°
641' - 3/4°	2,177' - 1 3/4°	2,936' - 1 3/4°	3,726' - 3 1/4°	5,191' - 1 3/4°
845' - 3/4°	2,271' - 1 3/4°	3,031' - 1 1/2°	3,789' - 3 1/4°	5,664' - 1 1/2°
968' - 1/2°	2,366' - 1 3/4°	3,157' - 2 1/4°	3,853' - 3 1/4°	6,164' - 1 1/4°
1,166' - 1/2°	2,461' - 1 3/4°	3,251' - 3°	3,916' - 3 1/4°	6,643' - 1°
1,356' - 1/4°	2,555' - 2°	3,315' - 2 3/4°	3,979' - 3 1/4°	7,146' - 1/2°
1,575' - 1/2°	2,651' - 2°	3,410' - 2 1/2°	4,042' - 3°	7,683' - 3/4°
		3,473' - 2 3/4°	4,105' - 3°	8,150' - 1/4°

Sincerely,


Gary W. Chappell
Contracts Manager

STATE OF NEW MEXICO)

COUNTY OF CHAVES)

The foregoing was acknowledged before me this 22nd day of June 1998 by Gary W. Chappell.

MY COMMISSION EXPIRES

JUNE 20, 2000



NOTARY PUBLIC