



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

January 8, 1996

Penwell Energy, Inc.
1100 ARCO Building
600 N. Marinfeld
Midland, Texas 79701

Attention: Mark Wheeler

Administrative Order NSL-1265-A

Dear Mr. Wheeler:

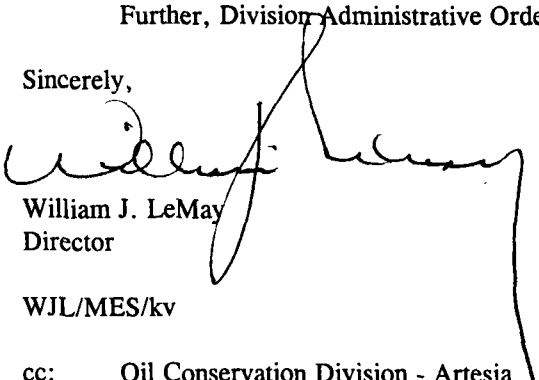
Reference is made to your application dated December 20, 1995, for a non-standard location to test the Bone Spring formation for the plugged and abandoned E. L. Latham, Jr. Eddy State Com Well No. 1, located 150 feet from the North line and 2056 feet from the East line (Unit B) of Section 7, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, which was initially drilled in 1963 under the authority of Division Administrative Order NSL-309, dated December 17, 1962, by Gulf Oil Corporation as the Hackberry Hills Unit Well No. 2 to a total depth of 10,050 feet. After testing "dry" this well was plugged and abandoned. In December, 1980 and January, 1981 E. L. Latham, Jr. and Roy G. Barton, Jr. reentered this well and deepened it down to 11,600 feet under the authority of Division Administrative Order NSL-1265, dated September 11, 1980 (which order superseded NSL-309), whereby said well was completed in the Happy Valley-Morrow Gas Pool and produced for eight months. In 1982 this well was again plugged and abandoned.

It is my understanding that said well to be renamed the Rookie State Well No. 1 will again be reentered and recompleted up-hole to test the Bone Spring formation for the production of either oil or gas. Pursuant to Division General Rules 104.B(1)(a) and (b), this location is also unorthodox. Further, should this well be completed as an oil well the NW/4 NE/4 of said Section 7 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit and should it be completed as a gas well the NE/4 of said Section 7 shall be dedicated to said well forming a standard 160-acre gas spacing and proration unit.

By the authority granted me under the provisions of Division General Rule 104.F(1), the above-described unorthodox location is hereby approved.

Further, Division Administrative Order NSL-1265, shall be placed in abeyance until further notice.

Sincerely,


William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: NSL-309
NSL-1265