

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 2040 South Pacheco, Santa Fe, NM 87505



0024353491

**ADMINISTRATIVE APPLICATION COVERSHEET**

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATION FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]**
- [DD-Directional Drilling] [SD-Simultaneous Dedication]**
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

OIL CONSERVATION DIV.  
00 AUG 29 PM 12:25

**[1] TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Directional Drilling  
 NSL    NSP    DD    SD
  
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC    CTB    PLC    PC    OLS    OLM
  
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX    PMX    SWD    IPI    EOR    PPR

**[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or  Does Not Apply**

- [A]  Working, Royalty or Overriding Royalty Interest Owners
  
- [B]  Offset Operators, Leaseholders or Surface Owner
  
- [C]  Application is One Which Requires Published Legal Notice
  
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
  
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
  
- [F]  Waivers are Attached

**[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Certification**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

Bill Pierce		Manager of Operations	Aug. 4, 2000
Print or Type Name	Signature	Title	Date

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
TANYA M. TRUJILLO  
  
JACK M. CAMPBELL  
1916-1999

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: law@westofpecos.com

August 29, 2000

**HAND-DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

00 AUG 29 PM 12:25  
OIL CONSERVATION DIV.

Re: *Application of Penwell Energy, Inc. for Administrative Approval of an Unorthodox Well Location for its Torreon Wash "36" State Well No. 1, 2143 feet from the South line and 1223 feet from the East line (Unit I) of Section 36, Township 20 North, Range 5 West, N.M.P.M., McKinley County, New Mexico.*

Dear Ms. Wrotenbery:

Pursuant to the provisions of Division Rule 104 F adopted on August 12, 1999, Penwell Energy, Inc. hereby seeks administrative approval of an unorthodox well location for its Torreon Wash "36" State Well No. 1 at a point 2143 feet from the South line and 1223 feet from the East line (Unit I) of Section 36, Township 20 North, Range 5 West, N.M.P.M., McKinley County, New Mexico. There are no secondary objectives in this proposed well. ~~A standard 160-acre spacing and proration unit comprised of the SE/4 of Section 36 will be dedicated to the well in the Entrada formation, Arena Blanca-Entrada Pool.~~

The well will be drilled to a depth sufficient to test the Entrada formation. This location is unorthodox because it is governed by the Division's statewide rules which provide for wells ~~on 160-acre spacing units~~ to be located no closer than 660 feet to any outer boundary of the dedicated unit.

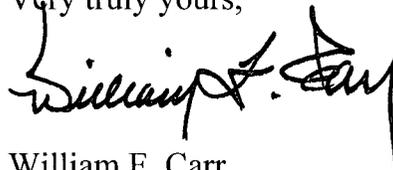
Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
August 29, 2000  
Page 2

As you will see from the enclosed application, this unorthodox location is required by geological conditions in the Entrada formation. The location was selected based on a 3D seismic survey. Attached to the application is an Entrada Time Structure Map of the subject area which shows the proposed unorthodox location. This map demonstrates that moving to the proposed unorthodox location results in a substantial gain in reservoir quality rock.

Also attached is a plat as required by Rule 104.F (3) showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units. Penwell Energy, Inc. is the designated operator of all the immediately adjoining and diagonal spacing units in the Entrada formation toward which the unorthodox well location encroaches. Accordingly, there are no affected parties to whom notification of the application should be provided.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr  
Attorney for Penwell Energy, Inc.

WFC/md

Enclosures

cc: Mr. Bill Pierce  
Penwell Energy, Inc.  
1100 ARCO Building  
600 N. Marienfield  
Midland, Texas 79701

**EXHIBIT C**

AFFECTED PARTIES

Application of Yates Petroleum Corporation for  
administrative approval of an unorthodox well location  
Quest AQS State Well No. 1  
660 feet from the South line and 1980 feet from the East line  
Section 3, Township 24 South, Range 33 East, NMPM  
Lea, New Mexico

Enron Oil & Gas Company  
4000 North Big Spring  
Suite 500  
Midland, Texas 79705

# PENWELL ENERGY, INC.

1100 ARCO BUILDING  
600 N. MARIENFELD  
MIDLAND, TEXAS 79701

OFF: (915) 683-2534  
FAX: (915) 683-4514

**REQUEST FOR ADMINISTRATIVE APPROVAL FOR NON-STANDARD  
LOCATION FOR PENWELL ENERGY INC.  
TORREON WASH "36" STATE #1 OIL WELL  
2,143' FSL & 1,223' FEL "I"  
Section 36 - T20N - R5W  
McKinley County, New Mexico  
API # 30-031-21006**

1. The well is located on BLM surface and State of New Mexico minerals. The state lease number for this well is VA-1683, property code 26250. (Approved C-101 attached). The existing location is a non-standard (97" from east quarter-quarter line and 497' from the ½ section line of unit letter "I") location as per OCD oil well rules.
2.  The attached C-102 shows the well location and proration unit in the SE/4 of Section 36 which is a 160-acre oil-proration unit as per the Arena Blanca - Entrada pool rules.
3. According to NMOCD records, there is no production within a one (1) mile radius of the location.
4.  All offset 40 acre proration units are owned by Penwell Energy as per the attached acreage map. All Penwell / SJJV held acreage is colored yellow. All other acreage is colored blue or red.
5. The location was selected based on a 1998 3-D seismic survey with lines spaced @ quarter mile intervals. A standard drilling unit does not allow drilling at the highest point of the structure as evidenced by the attached 3-D seismic image for this section.
6. Directional drilling is not feasible because it is not cost effective for this wildcat well.

7. I hereby certify that notice has been sent to the surface management and mineral management agency responsible for this acreage, there are no off-setting operators on one or more sides which adjoin the applicant's spacing unit, or the single closest corner to the location and that the information presented is true and correct to the best of my knowledge. (Bureau of Land Management Albuquerque field office.)

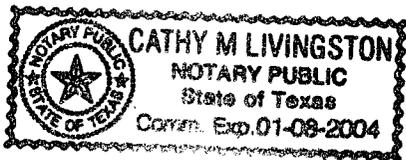
Signature: Bill Pierce  
Name & Title: Bill Pierce – Manager of Operations  
Date: August 4, 2000

STATE OF TEXAS        )  
  ) SS:  
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me on this 4th day of August, 2000 by Bill Pierce.  
Witness my hand and seal.

Cathy M Livingston  
Notary Public – Cathy Livingston

My commission expires: 01-08-2004

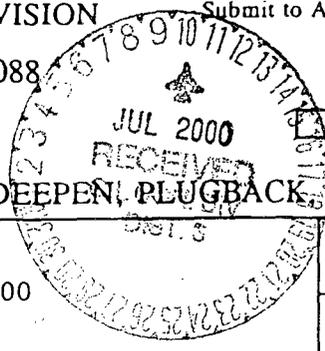


District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-101  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 6 Copies  
 Fee Lease - 5 Copies

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088



AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

<sup>1</sup> Operator Name and Address. Penwell Energy, Inc. 600 N. Marienfeld, Ste. 1100 Midland, Texas 79701		<sup>2</sup> OGRID Number 147380
		<sup>3</sup> API Number 30-031-21006
<sup>4</sup> Property Code 26250	<sup>5</sup> Property Name TORREON WASH "36" STATE	<sup>6</sup> Well No. 1

<sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
"1"	36	20N	5W		2,143'	South	1,223'	East	McKinley

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>9</sup> Proposed Pool 1 Arena Blanca-Entrada					<sup>10</sup> Proposed Pool 2				

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code 0	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type Code S	<sup>15</sup> Ground Level Elevation 6636
<sup>16</sup> Multiple No	<sup>17</sup> Proposed Depth 6,000'	<sup>18</sup> Formation Entrada	<sup>19</sup> Contractor Unknown	<sup>20</sup> Spud Date Upon Approval

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	9 5/8"	36#	350'+/-	275	Surface
8 3/4"	7"	23#	6,000'+/-	as needed to 500	3,000' surface casing

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Penwell proposes to drill to a depth sufficient to test the Entrada formation. Surface hole will be drilled utilizing fresh water. 8 3/4" production hole will be drilled utilizing fresh water mud weighing from 8.3 - 8.8 ppg. This weight is sufficient to control any pressure in the well. No over pressured zones will be penetrated. A 3,000# WP BOP and choke manifold will be utilized while drilling the 8 3/4" production hole. (See attached Exhibit "A" & "B".)

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Bill Pierce</i> Printed name: Bill Pierce Title: Manager of Operations Date: July 7, 2000 Phone: 915 683-2534		OIL CONSERVATION DIVISION Approved by: <i>[Signature]</i> Title: DEPUTY OIL & GAS INSPECTOR, DIST. 5 Approval Date: 7-11-00 Expiration Date: JUL 11 2001 Conditions of Approval: Attached <input type="checkbox"/>	
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HOLD C104 FOR NSL

DISTRICT I  
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II  
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 21, 1994

Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-031-21006		<sup>2</sup> Pool Code 2285		<sup>3</sup> Pool Name Arena Blanca-Entrada	
<sup>4</sup> Property Code 26250		<sup>5</sup> Property Name TORREON WASH "36" STATE			<sup>6</sup> Well Number 1
<sup>7</sup> GRID No. 147380		<sup>8</sup> Operator Name PENWELL ENERGY INCORPORATED			<sup>9</sup> Elevation 6636'

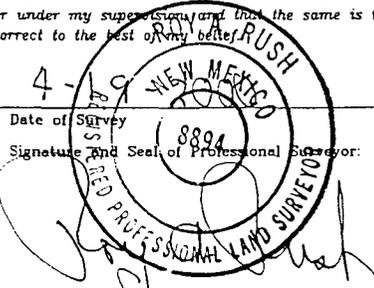
<sup>10</sup> Surface Location

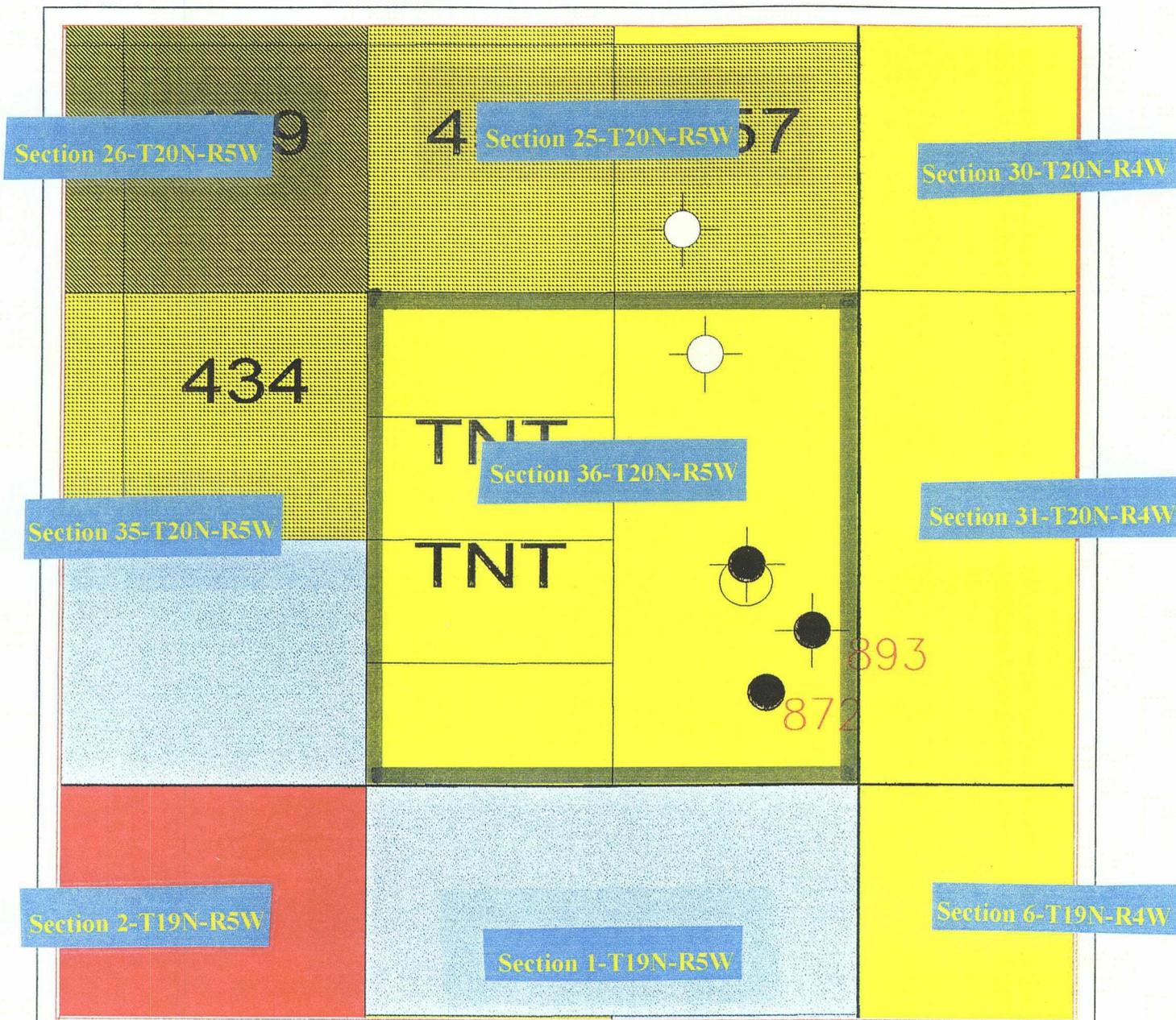
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	36	20-N	5-W		2143	SOUTH	1223	EAST	McKINLEY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Dedicated Acres		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	36	2143	1223'	2,642.03'	N 00-02-11 W	5279.55'	N.M. STATE PLANE COORDINATES CENTRAL ZONE, NAD 1927 LAT: 35° 55' 08" N LONG: 107° 18' 46" W	17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>   Signature Bill Pierce Printed Name Manager of Operations Title August 4, 2000 Date
								18 SURVEYOR CERTIFICATION <i>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</i>   Date of Survey Signature and Seal of Professional Surveyor: 8894 Certificate Number
FD. BLM BRASS CAP 1925	N 89-52-26 W							FD. U.S.G.L.O. BRASS CAP 1923



Section 26-T20N-R5W

4 Section 25-T20N-R5W 57

Section 30-T20N-R4W

434

Section 36-T20N-R5W

Section 31-T20N-R4W

Section 35-T20N-R5W

TNT

893

872

Section 2-T19N-R5W

Section 1-T19N-R5W

Section 6-T19N-R4W

SAN JUAN JOINT VENTURE		
DISCOVERY EXPLORATION LAND MAP - ARENA BLANCA OFFSET		
Price: \$100,000		08/01/2000
1 : 20,000		

- SJJV LEASEHOLD
- SJJV ALLOTMENT AWARDS
- SJJV ALLOTMENT LEASEHOLD
- YATES
- STATE OPEN
- BIA OPEN
- TNT NAVAJO TRIBAL SURFACE
- PROPOSED LOCATION

**Penwell Energy, Inc.**  
**Torreon Wash "36" State #1**  
**2143' FSL & 1223' FEL**  
**Sec. 36 - T20N - R5W**  
**McKinley County, N. M.**  
**State Lease #VA-1683**



# PENWELL ENERGY, INC.

1100 ARCO BUILDING  
600 N. MARIENFELD  
MIDLAND, TEXAS 79701

OFF: (915) 683-2534  
FAX: (915) 683-4514

August 4, 2000

Bureau of Land Management  
435 Montano NE  
Albuquerque, New Mexico 87107-4935

RE: NSL Application for Torreon Wash "36" State #1

As the owner of the surface for the below described well and pursuant to New Mexico Oil Conservation Division Rules, this registered letter shall serve as notification of the following non-standard location for the above referenced well. This letter is strictly for notification purposes only and no action is required by the BLM regarding this matter.

Well Name: Torreon Wash "36" State #1  
State Lease Number: VA-1683  
Legal Description: 2,143' FSL & 1,223' FEL, Sec. 36 - T20N - R5W  
Mckinley County, New Mexico.  
Applicant's Name: Penwell Energy, Inc.  
Applicant's Address: 600 N. Marienfeld Ste. 1100  
Midland, TX. 79701

Additional Information: An application for a non-standard location will be filed with the NMOCD this week. If they determine the application complies with the applicable administrative regulations, approval will be granted.

The New Mexico Oil Conservation Division address is:  
2040 S. Pacheco  
Santa Fe, New Mexico 87504

Sincerely,



Bill Pierce  
Manager of Operations

