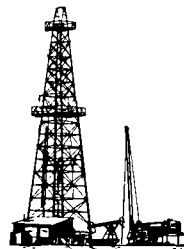
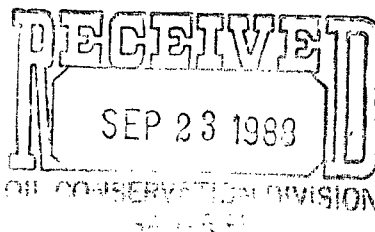


LAYTON



ENTERPRISES, INC.

3103 - 79TH STREET • LUBBOCK, TEXAS 79423 • 806/745-4638

September 12, 1988

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Unorthodox Location - Allison Penn Field
El Zorro "C" Federal No. 3-C
Sec 11, T9S, R36E
Lea County, New Mexico

Gentlemen:

We request approval of the captioned drilling location. Pool rules require wells to be drilled within 150 feet of the center of a forty acre unit. This location does not meet that requirement.

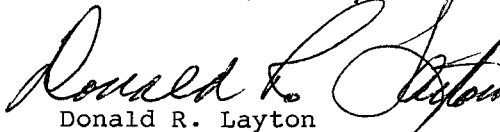
The two abandoned wells in this 80 acre proration unit are both in the center of the 40 acre units. A re-entry attempt was made on the well in the "C" unit but was not successful. The well in the "D" unit is in a condition which prohibits re-entry.

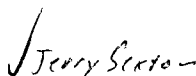
The captioned location is located near the center of the proration unit; not nearer to the lease line. It was necessary to locate at that point due to the three pipelines and the electric power lines located in the immediate vicinity which are indicated on the attached plat.

All offset operators are this date being notified of our request by copies of this letter. Your consideration is greatly appreciated.

Very truly yours,

LAYTON ENTERPRISES, INC.


Donald R. Layton
President



xc: Bison Petroleum Corp.
Discovery Operating, Inc.
Petroleum Production Management, Inc.

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

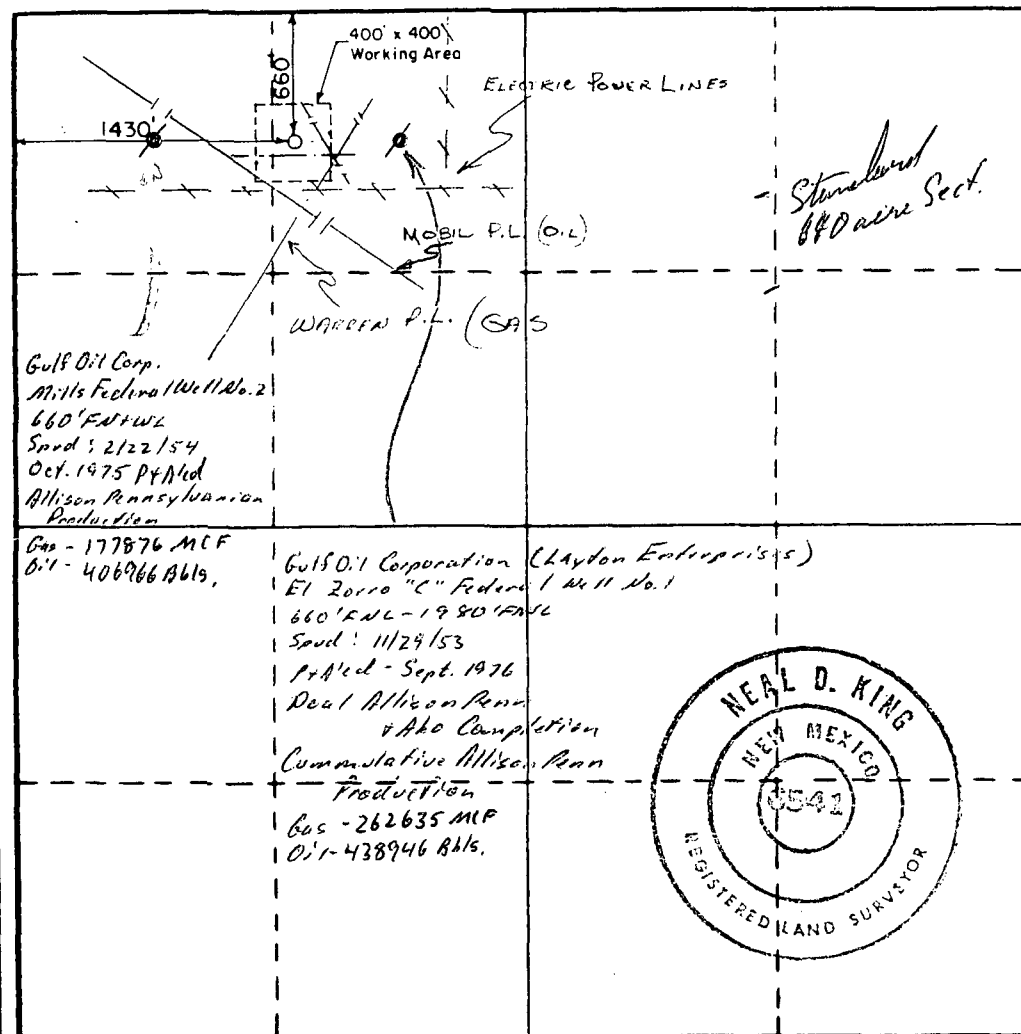
Operator Layton Enterprises			Lease El Zorro Federal "C"		Well No. 3
Unit Letter: C	Section 11	Township 9S	Range 36E	County Lea	
Actual Footage Location of Well: 660 feet from the North line and 1430 feet from the West line					
Ground Level Elev. 4052	Producing Formation Penn		Pool Allison		Dedicated Acreage: 80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Donald R. Layton
Name

Donald R. Layton

Position

President

Company

LAYTON ENTERPRISES, INC.

Date

8-8-88

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.

Date Surveyed

8-5-88

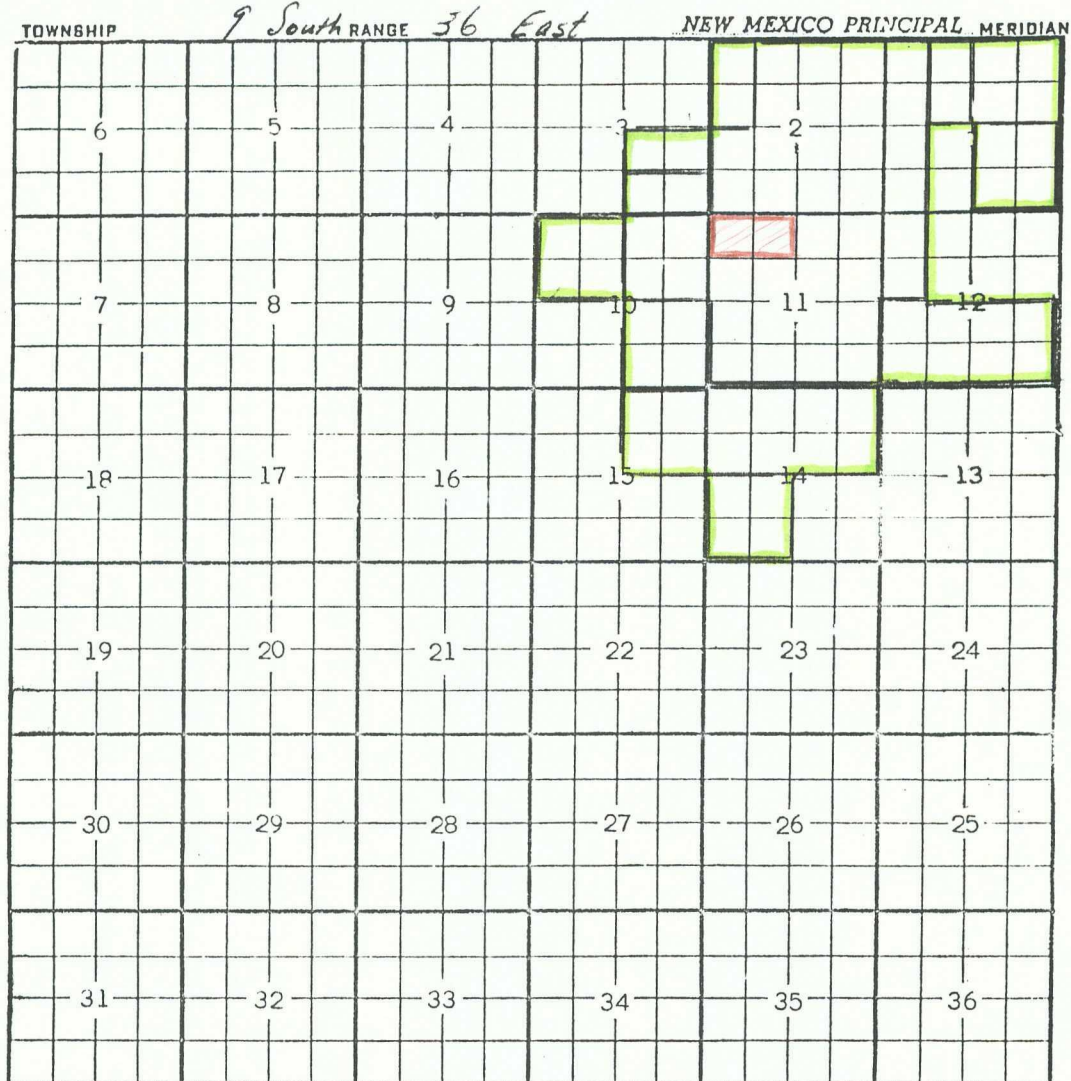
Registered Professional Engineer
and/or Land Surveyor

Neal D. King
Certificate No.

6541



County Lea Pool Allison - Pennsylvanian



Description: $W\frac{1}{2}W\frac{1}{2}$ Sec. 1; $E\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}$ & $E\frac{1}{2}$ Sec. 2; $NE\frac{1}{4}$ Sec. 10;
 All Sec. 11; $W\frac{1}{2}NW\frac{1}{4}$ Sec. 12 (R-1389-B, 8-26-59)
 Ext: $E\frac{1}{2}NW\frac{1}{4}$ Sec. 1; $N\frac{1}{2}$ Sec. 14; $NE\frac{1}{4}$ Sec. 15 (R-1509, 11-1-59)
 Ext: $NE\frac{1}{4}$ Sec. 1 (R-1572, 2-1-60) = $SW\frac{1}{4}$ Sec. 14 (R-1633, 4-1-60)
 = $SE\frac{1}{4}$ Sec. 1 (R-1857, 2-1-61) = $SE\frac{1}{4}$ Sec. 10 (R-1999, 7-1-61)
 = $W\frac{1}{2}NW\frac{1}{4}$ Sec. 2 (R-2221, 5-1-62) = $NW\frac{1}{4}$ Sec. 10 (R-3959, 5-5-70)
 = $\frac{S}{2}$ Sec. 12 (R-4014, 9-1-70) = $\frac{S}{2}SE\frac{1}{4}$ Sec. 3 (R-4132, 5-1-71) = $\frac{N}{2}SE\frac{1}{4}$ Sec. 3 (R-4207, 11-1-71)

ALLISON-PENNSYLVANIAN POOL
Lea and Roosevelt Counties, New Mexico

Order No. R-1389-B, Combining the Allison-Pennsylvanian and North Allison-Pennsylvanian Pools, and Adopting Rules for the Allison-Pennsylvanian Pool, Lea and Roosevelt Counties, New Mexico, August 26, 1959.

Application of the Atlantic Refining Company for an order combining the Allison-Pennsylvanian and North Allison-Pennsylvanian Pools, Lea and Roosevelt Counties, New Mexico, and for the Promulgation of Special Rules and Regulations to provide for 80-acre Proration Units.

CASE NO. 1637
Order No. R-1389-B

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. on April 15, 1959, at Hobbs, New Mexico; before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," and Order No. R-1389 was entered on May 7, 1959. The case was reopened and a rehearing held on July 15, 1959, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

NOW, on this 26th day of August, 1959, the Commission, a quorum being present, having considered the application and the evidence adduced at the original hearing and at the rehearing and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, The Atlantic Refining Company, seeks an order combining the Allison-Pennsylvanian Pool and the North Allison-Pennsylvanian Pool, Lea and Roosevelt Counties, New Mexico.

(3) That the testimony presented establishes that the wells in the Allison-Pennsylvanian Pool and the North Allison-Pennsylvanian Pool, as well as certain intervening acreage, are producing from a single common source of supply and that said pools should be combined and designated as the Allison-Pennsylvanian Pool with the pool to encompass the acreage shown in Appendix "A" attached hereto and made a part hereof.

(4) That the applicant further seeks the promulgation of special rules and regulations for said Allison-Pennsylvanian Pool to provide for 80-acre proration units.

(5) That the applicant has proved by a preponderance of the evidence that the Allison-Pennsylvanian Pool, comprising the acreage shown in Appendix "A," can be efficiently and economically drained and developed on 80-acre proration units.

(6) That to require development of the Allison-Pennsylvanian Pool on 40-acre proration units might cause the drilling of unnecessary wells.

(7) That the evidence presented indicates that it is uneconomical to drill wells on 40-acre proration units in the Allison-Pennsylvanian Pool and to remain on such a spacing pattern might impede further development in said pool.

(8) That the subject application should be approved.

IT IS THEREFORE ORDERED:

(1) That Commission Order No. R-1389, dated May 7, 1959, be and the same is hereby superseded effective September 1, 1959.

(2) That special rules and regulations for the Allison-Pennsylvanian Pool in Lea and Roosevelt Counties, New Mexico, with horizontal limits as described in Appendix "A," be and the same are hereby promulgated as follows effective September 1, 1959; provided, however, that the increased allowable pro-

visions contained herein shall not become effective until October 1, 1959.

**SPECIAL RULES AND REGULATIONS FOR THE
ALLISON-PENNSYLVANIAN POOL**

RULE 1. Each well completed or recompleted in the Allison-Pennsylvanian Pool or in the Pennsylvanian formation within one mile of the Allison-Pennsylvanian Pool, and not nearer to nor within the limits of another designated Pennsylvanian pool, shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Allison-Pennsylvanian Pool shall be located in a unit containing 80 acres, more or less, which consists of the S/2, N/2, E/2, or W/2 of a single governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The initial well on any 80-acre unit in said pool shall be located within 150 feet of the center of either the NW/4 or the SE/4 of the quarter section on which the well is located. Any well which was drilling to or completed in the Allison-Pennsylvanian Pool prior to September 1, 1959, is granted an exception to the well location requirements of this Rule.

RULE 4. For good cause shown, the Secretary-Director may grant exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot or when the application is for the purpose of joining fractional lots not exceeding 20.49 acres each with a standard unit. All operators offsetting the proposed non-standard unit shall be notified of the application by registered mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Allison-Pennsylvanian Pool as the acreage in such non-standard unit bears to 80 acres.

RULE 5. An 80-acre proration unit (79 through 81 acres) in the Allison-Pennsylvanian Pool shall be assigned an 80-acre proportional factor of 4.77 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

IT IS FURTHER ORDERED:

That Operators who propose to dedicate 80 acres to a well in the Allison-Pennsylvanian Pool must file an amended Commission Form C-128 with the Hobbs District Office of the Commission by September 15, 1959, in order that the well may be assigned an 80-acre allowable on the October proration schedule.

APPENDIX "A"

**ALLISON-PENNSYLVANIAN POOL
HORIZONTAL LIMITS**

**TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM,
ROOSEVELT COUNTY**

Section 35: E/2

Section 36: W/2 W/2

**TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM,
LEA COUNTY**

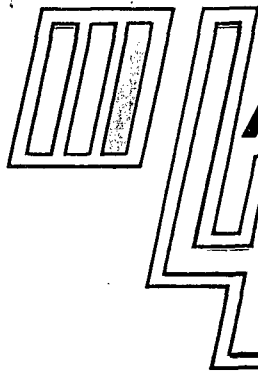
Section 1: W/2 W/2

Section 2: E/2 NW/4, SW/4, E/2

Section 10: NE/4

Section 11: All

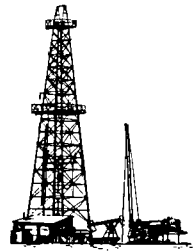
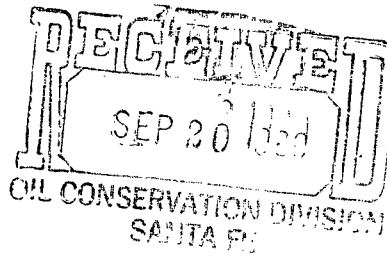
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.
Section 12: W/2 NW/4



LAYTON

ENTERPRISES, INC.

3103 - 79TH STREET • LUBBOCK, TEXAS 79423 • 806/745-4638



September 13, 1988

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 82504

Gentlemen:

We have requested approval of an unorthodox drilling location in our letter to you of September 12.

The location plat submitted with the letter did not designate the proration unit outline. Please use the attached plat to replace the one originally submitted.

Thank you for your assistance.

Very truly yours,

LAYTON ENTERPRISES, INC.

Donald R. Layton

Donald R. Layton
President

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

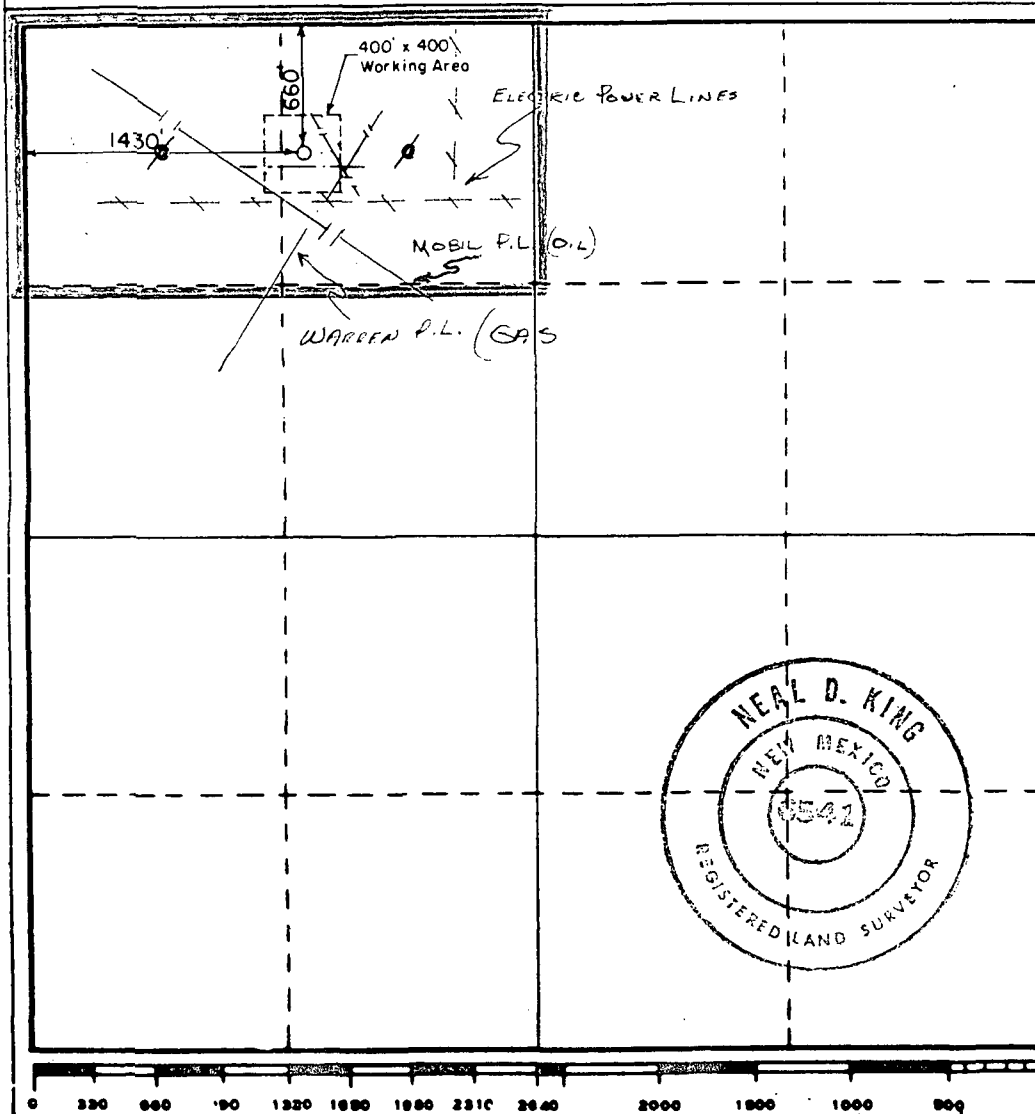
Operator Layton Enterprises			Lease El Zoro Federal "C"		Well No. 3
Unit Letter: C	Section 11	Township 9S	Range 36E	County Lea	
Actual Footage Location of Well: 660 feet from the North line and 1430 feet from the West line					
Ground Level Elev. 4052	Producing Formation Penn		Pool Allison		Dedicated Acreage: 80 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Donald R. Layton
Name

Donald R. Layton

Position

President

Company

LAYTON ENTERPRISES, INC.

Date

8-8-88

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.

Date Surveyed

8-5-88

Registered Professional Engineer and/or Land Surveyor

Neal D. King
Certificate No.

6541



TONY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

June 2, 1986

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501-2088
(505) 827-5800

MEMORANDUM NO. 4-86

TO: ALL OPERATORS AND INTERESTED PARTIES
FROM: R. L. STAMETS, DIRECTOR *RLS*
SUBJECT: CLARIFICATION OF ADMINISTRATIVE APPROVAL PROCESSES IN CERTAIN
POOLS WITH SPECIAL RULES

Division Rule 1 provides in part that: "Special rules, regulations and orders have been and will be issued when requested and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply."

Over the years, many special pool rules have been written. Many of these contained special rules providing for administrative exceptions to such matters as location requirements or spacing unit size while others did not. One prevailing opinion is that the intent of those special rules without administrative exception provisions was to preclude such exceptions. The counter opinion is that when read with Rule 1, if nothing is said, then the administrative exception provisions in the General Rules shall apply.

Notice is hereby provided that it is henceforth to be Division policy to utilize the administrative exceptions or approval procedures of the General Rules when special pool rules are silent as to such exceptions. This policy will save both the Division and operators the cost of unnecessary hearings.

Any person who is aware of any pool with special rules which should preclude any of the administrative exceptions or approvals provided in the General Rules should notify this office of such situation at the earliest possible date providing the reasoning for precluding administrative exceptions. Thereafter, we would suspend this policy for such pool and schedule a case to modify such special rules to incorporate the necessary prohibitions.

RLS:dp

COM NAME: _____

OPERATOR: _____

APPROVED: _____

EFFECTIVE: _____

TERM: 2-1-1993

WELL LOCATION: _____

LEA
COUNTY

FORMATION

C.S.
INSTITUTION

640.92
ACREAGE

SECTION 2 TOWNSHIP 9S RANGE 36E

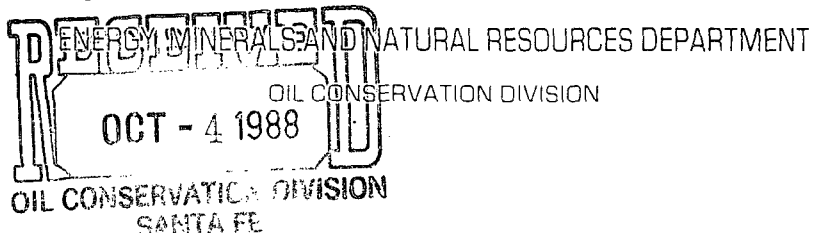
40-35 4 V-2522	40-25 3	40-21 2	40-16 1
DONALD R. LAYTON		DONALD R. LAYTON	
V-2522		V-2522	
DONALD R. LAYTON et ux		DONALD R. LAYTON et ux	

38 7/16 Ar Pet. Ld Partsho 1-1-89 57726	Gr. Westh. King - Fed. RD 3775	55	Pet. Ld. Partsho 1-1-89 57726
38 7/5 Ar H. Ptasyński 4-1-34 57294		B.K. Killion 9-1-95 62250	95 17 KGS
38 7/4 Ar R.L. Burns Fed RD 12402 DAI-18-77	18 B.K. Killion 9-1-95 62250	H. Ptasyński 4-1-94 57294	B.K. Killion 9-1-95 62250
38 8/1 Ar H. Ptasyński 4-1-94 57294	U.S. MI B.F. E. D.A. Baldridge(S)		



GARREY CARRUTHERS
GOVERNOR

STATE OF NEW MEXICO



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 26, 1988

Layton Enterprises, Inc.
3103 79th Street
Lubbock, TX 79423

Attention: Donald R. Layton,
President

RE: Unorthodox Oil Well
Location, El Zorro "C"
Federal Well No. 3
C-11-T9S-R36E, Allison
Pennsylvanian Pool, Lea
County, New Mexico.

Dear Mr. Layton:

Please submit the required plat which shows the ownership of all
leases offsetting the proposed spacing unit (Rule 104.F.III).

Sincerely,

Michael E. Stogner
Petroleum Engineer

MES/ag

ANSWER BY MARGINAL NOTATION

9-29-88

Please see attached requested plat.

Sincerely,

Donald R. Layton



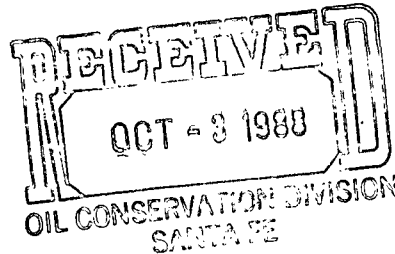
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

GARREY CARRUTHERS
GOVERNOR

9-19-88

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501



RE: Proposed:

MC _____
DHC _____
NSL X _____
NSP _____
SWD _____
WFX _____
PMX _____

Gentlemen:

I have examined the application for the:

Layton Enterprises Inc. El Zorro C Fed #3-C 11-9-36
Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

OK J

Yours very truly,

Jerry Sexton
Jerry Sexton
Supervisor, District 1

/ed