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DATE IN 11/25/97	SUSPENSE 12/15/97	ENGINEER MS	LOGGED BY MW	TYPE NSL
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVER SHEET

THIS COVER SHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Production 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]

[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] and [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 - Statement of Understanding**

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 supervisory capacity.

C. MARK WHEELER

Print or Type Name

C. Mark Wheeler

Signature

C. MARK WHEELER, CPL 11/20/97

Title LAND MANAGER

Date

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

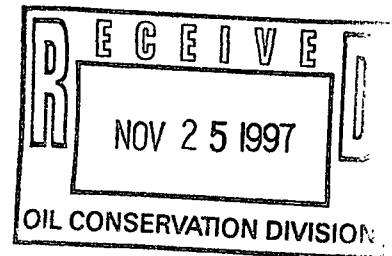
30-015-29524

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November 25, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505



NSL - EAS. NZO

Re: *Application of Penwell Energy, Inc. for Administrative Approval of an Unorthodox Well Location for its Lonetree "14" State Com Well No.1, 2,180 feet from the North line and 360 feet from the East line of Section 14, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico*

Dear Mr. LeMay:

Penwell Energy, Inc. hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Lonetree "14" State Com Well No. 1 to be drilled at an unorthodox well location 2,180 feet from the North line and 360 feet from the East line Section 14, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre gas spacing and proration unit in the Morrow formation comprising the E/2 of said Section 14 is to be dedicated to said well.

The well will be drilled as a wildcat well to a depth sufficient to test the Morrow formation. This location in the Morrow formation, the principal objective in this well, is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-spacing units to be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1,650 feet to the nearest end boundary.

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
November 25, 1997
Page 2

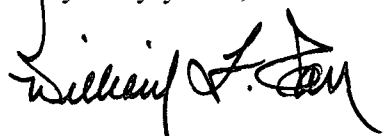
This unorthodox location is required by topographic conditions. Attached hereto as Exhibit A is a letter from the Bureau of Land Management which requires the well be moved from its original proposed standard location 1,980 feet from the North line and 660 feet from the East line to the unorthodox location covered by this application to avoid an archeological site.

Attached hereto as Exhibit B is a plat which shows Penwell is the only party affected by this application since it operates the W/2 of said Section 13. Accordingly there are no parties to notify of this application. All owners of royalty and overriding royalty in the W/2 of Section 13 who are affected by this proposed location are also the owners of royalty and overriding royalty interest in Section 14.

Also enclosed is a proposed order approving this application.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

WILLIAM F. CARR
Attorney for Penwell Energy, Inc.

Enclosures

cc: Mr. Mark Wheeler
Penwell Energy, Inc.
1100 Arco Building
600 North Marienfeld
Midland, Texas 79701



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Carlsbad Resource Area Headquarters
620 E. Greene St.
Carlsbad, New Mexico 88220-6292



IN REPLY REFER TO:
8100 (067) rmh

OCT 29 1997

Bill Pierce
Penwell Energy, Inc.
600 North Marienfeld, Suite 1100
Midland, Texas 79701

RE: Lonetree 14 State Com #1

Dear Mr. Pierce:

As requested by Mr. Joe Janica, I am writing this letter to verify that the Lonetree 14 State Com #1 originally located at 1980' FNL and 660' FEL is being moved to 2180' FNL and 360' FEL To avoid impacting LA 43454 an archaeological site eligible for nomination to the National Historic Register and therefore, under the protection of Section 106 of the National Historic Preservation Act as amended.

If you have any questions or need further assistance, please call Rose Marie Havel at (505)887-6544.

Sincerely,

Timothy P. O'Brien
For Gary Bowers
Area Manager

EXHIBIT A

Pierce & Davis 1/2
State
Coquina
HBP
3633

Superior
1011885

Sper.

Coquina 1/4
Huber Corp.
50 HBC 06
K 3633

Penwell, et al 49.75%

Co Ener. Cen.
L. Dreyfus
A. 1.
V. 41
406

9 (P)
i Oper.
led St.

State
563

Penwell
Lonetree 14

Chi Ener

VA 839

2 Penwell
Lonetree 13
St

irgett
19 St
6 St

Gilliland
State
562

Penwell
Lonetree 14
St.

(Bledsoe Pet.)
Lonetree

Collins E
2 25 9
11 1 9

6 Ener
120 Y 5074

Penwell
Lonetree 13 St.

Chi Ener
D Essex
2 19 9E

vaco
BP

Texaco
HBP

065009
edges U.S. 151
State

065009
State

State

RE Bybee
etal
WH
Pur (S)

Strong Ener)
232

Amoco
HBP
V. 232

Chomplin
HBC
14768

8. Sell
16.16
18.4
15.17

23
Read E. Stevens
Hissom St.
(Huber)
(Humble-St.)

U.S.
(Collins)
(Ware)
14.25.93
18.16.92
17.72.93

Band Collins
1500 F. Ware
101004

EXHIBIT B

Collins & Ware
(Santa Fe Ener)

(DATE) _____

DRAFT ADMINISTRATIVE ORDER

Penwell Energy, Inc.
1100 ARCO Building
600 North Marienfeld
Midland, Texas 79701

Attention: Mark Wheeler

Administrative Order NSL-_____

Dear Mr. Wheeler:

Reference is made to your application dated November 18, 1997 for an unorthodox well location for the proposed Lonetree "14" State Com Well No. 1. Said well to be drilled as a wildcat well to test all formations from the surface to the base of the Morrow formation located 2180 feet from the North line and 360 feet from the East line (Unit H) of Section 14, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico.

A standard 320-acre gas spacing and proration unit in the Morrow formation comprising the E/2 of said Section 14 is to be dedicated to said well.

By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox oil well location is hereby approved.

Sincerely,

William J. LeMay
Director

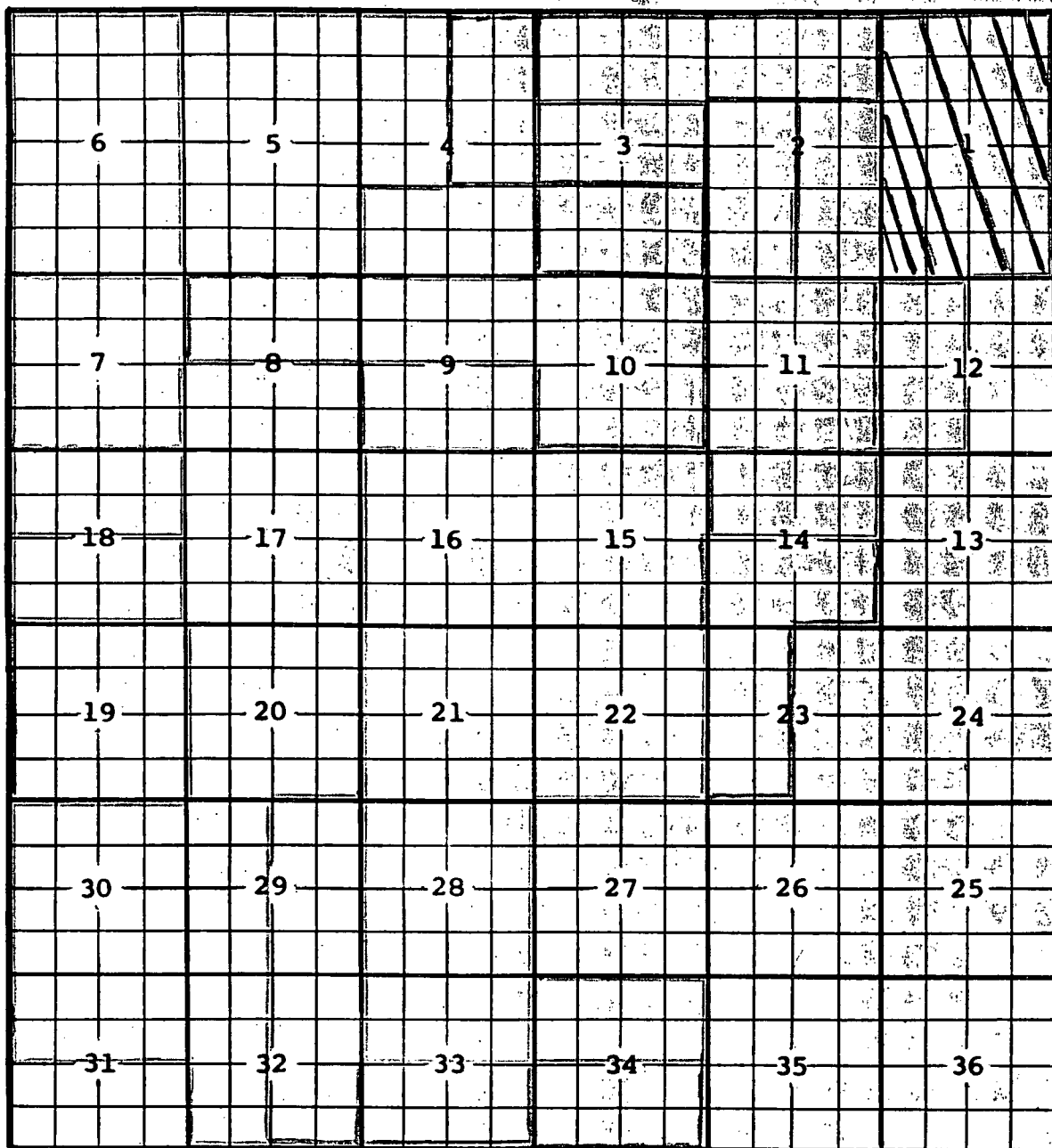
cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad

COUNTY Eddy

POOL

Burton Flat - Morrow GasTOWNSHIP 21 SouthRANGE 27 East

NMFM



Description: Lots 9 thru 16 Sec. 3 (R-4486, 3-1-73)

Ext: Lots 1 thru 8 Sec. 2; Lots 1 thru 8 & $\frac{1}{2}$ Sec. 3 (R-4540, 6-1-73)

Ext: $\frac{N}{2}$ Sec 8, $\frac{N}{2}$ Sec 9, All Sec 10 (R-^{1670-P}~~4707~~, 1-18-74)

Ext: Lots 1, 2, 7, 8, 9, 10, 15 & 16, Sec 4 (R-4734, 3-1-74)

Ext: All Sec. 7, All Sec. 11 (R-4782, 6-1-74)

Ext: All Sec 6 (R-4850, 9-10-74) Ext: $\frac{S}{2}$ Sec 9, $\frac{N}{2}$ Sec 14 (R-4861, 11-1-74)

Ext: $\frac{W}{2}$ Sec 12 (R-4937, 2-1-75) Ext: $\frac{N}{2}$ Sec 18 (R-5015, 6-1-75)

Ext: $\frac{S}{2}$ Sec 4, $\frac{S}{2}$ Sec 18 (R-5063, 7-1-75)

Ext: Lots 11, 12, 13, 14 & $\frac{S}{4}$ Sec 2, All Sec 15, 16, 21, 22 & 28, -

- $\frac{N}{2}$ Sec 33 (R-5162, 3-1-76) Ext: $\frac{N}{2}$ Sec 34 (R-5361, 3-1-77)

Ext: Lots 3, 4, 5, 6, 11, 12, 13 & 14 Sec 4, All Sec 5, 17, 20 & 30 -

- $\frac{S}{2}$ Sec 8, $\frac{W}{2}$ Sec 29, $\frac{N}{2}$ Sec 31, $\frac{W}{2}$ Sec 32 (R-5534, 10-1-77)

Ext: $\frac{E}{2}$ Sec 29, $\frac{E}{2}$ Sec 32 (R-6758, 8-26-81) Ext: $\frac{S}{2}$ Sec 14, $\frac{W}{2}$ Sec 23 (R-6890, 1-2-82)