

ABOVE THIS LINE FOR DIVISION USE ONLY

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



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]

[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
Print or Type Name

Signature

Manager of Operations
Title

12/13/99
Date

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12335
Submitted by:
Penwell Energy, Inc.
Hearing Date: February 3, 2000

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

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

December 13, 1999

Mr. David Catanach
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RE: NSL Application for Eagle Springs "8" Federal #1
263' FNL & 2,548' FEL
Unit Letter "B"
Section 8 - T19N - R4W
Sandoval County, New Mexico
API # 30-043-20949

Dear Mr. Catanach,

Pursuant to New Mexico Oil Conservation Division Rule 104.F, Penwell hereby submits five (5) copies of an application for administrative approval of a non-standard location (NSL) for the above referenced well.

Please contact me at the above letterhead if you have any questions regarding this application.

Sincerely,



Bill Pierce
Manager of Operations

**REQUEST FOR ADMINISTRATIVE APPROVAL FOR NON-STANDARD
LOCATION FOR PENWELL ENERGY INC.
EAGLE SPRINGS "8" FEDERAL #1 OIL WELL
263' FNL & 2,548' FEL "B"
Section 8 – T19N – R4W
Sandoval County, New Mexico
API # 30-043-20949**

1. The well is on BLM surface and minerals. The BLM lease number for this well is NM 99705 (Approved 3160-3 attached). The existing location is a non-standard (95' from west quarter- quarter line and 263' from north section line of unit letter "B") location as per OCD oil well rules.
2. The attached C-102 shows the well location and proration unit (NW4/NE4 of Sec. 8 which is a standard 40 acre oil-proration unit).
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.
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: December 13, 1999

STATE OF TEXAS)

) SS:

COUNTY OF MIDLAND)

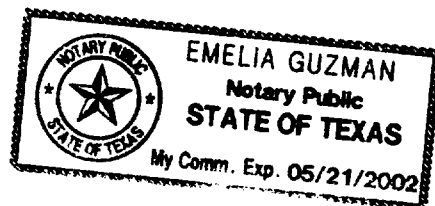
The foregoing instrument was acknowledged before me on this 13th day of

DECEMBER, 1999 by Bill Pierce

Witness my hand and seal.

Emelia Guzman
Notary Public – Emelia Guzman

My commission expires: 5-21-02



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

*API Number 30-043-20949		*Pool Code	*Pool Name Wildcat - Entrada
*Property Code	*Property Name EAGLE SPRINGS 8 FEDERAL		*Well Number 1
*GRID No. 147380	*Operator Name PENWELL ENERGY, INC.		*Elevation 6717'

¹⁰ Surface Location

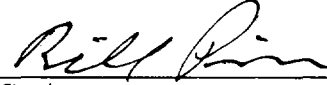
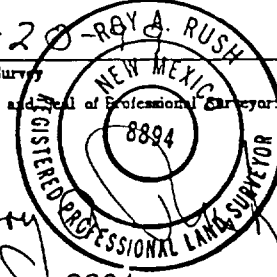
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
8	8	19-N	4-W		263	NORTH	2545	EAST	SANDOVAL

¹¹ 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

Dedicated Acres	Joint or Infill	Consolidation Code	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
S 89-57 W (1924 U.S.G.L.O.)

16	STATE PLANE COORDINATES NEW MEXICO CENTRAL ZONE X = 194604.0 Y = 1783813.0 NAD 1927 DATUM	263'	2545'	FD. 1923 U.S.G.L.O. BC.	17	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Bill Pierce Printed Name Manager of Operations Title December 13, 1999 Date
		8		FD. 1923 U.S.G.L.O. BC.	18	SURVEYOR CERTIFICATION 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 belief. 9-20-RBYA RUSH Date of Survey Signature and Seal of Professional Surveyor  8894 Certificate Number

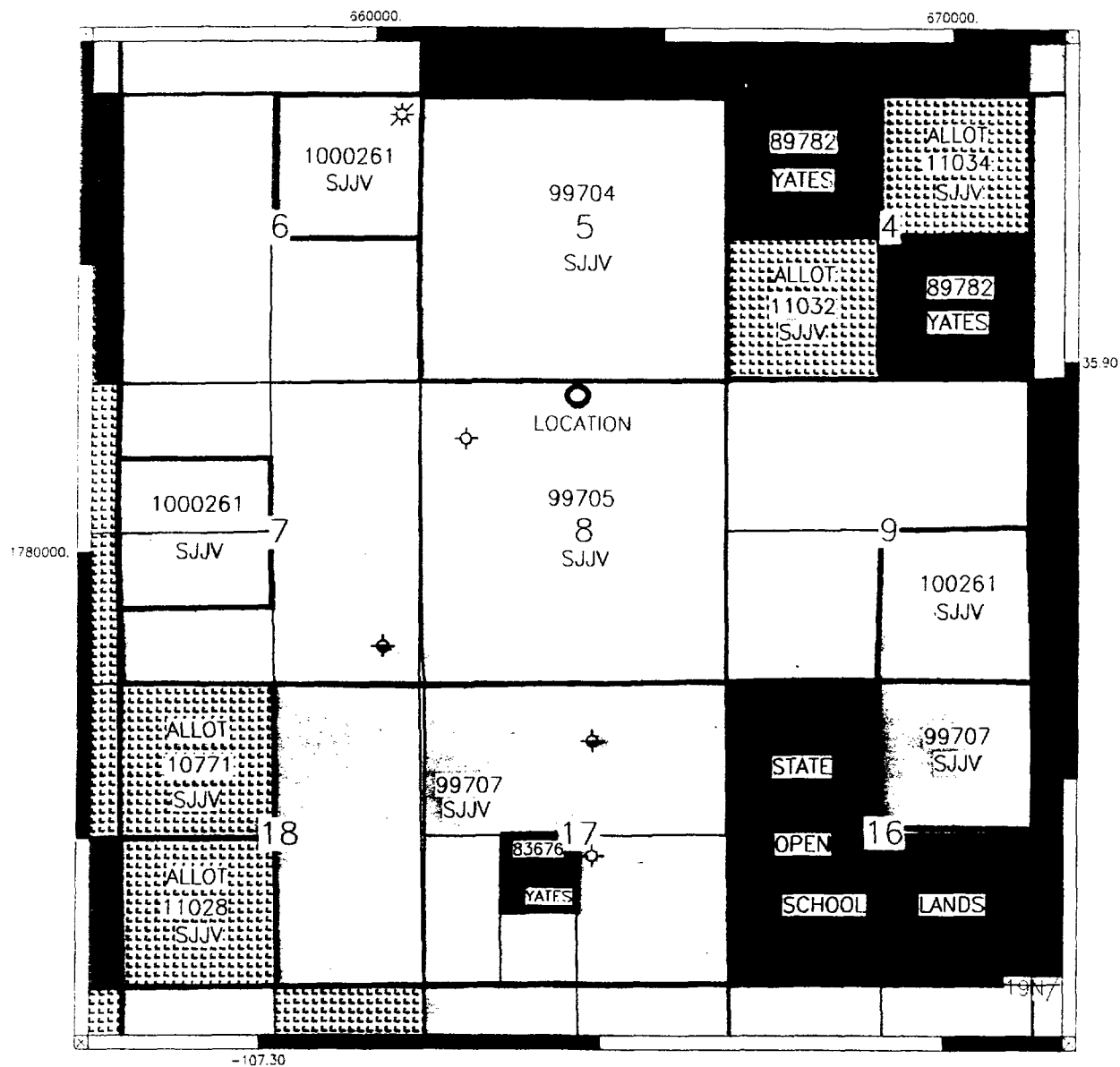
BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12335 Exhibit No. 4

Submitted by:

Penwell Energy, Inc.

Hearing Date: February 3, 2000




SANDOVAL COUNTY, NEW MEXICO

SAN JUAN JOINT VENTURE		
PENWELL ENERGY		
EAGLE SPRINGS 8 FED. #1 DRILLSITE		
T-19-N, R-4-W, SEC. 8 (263 FNL, 2545 FEL)		
P. B.		11/10/1999
C. P.		SCALE 1" = 3000'



Penwell Energy /
SJJV Acreage position



PENWELL ENERGY, INC.
EAGLE SPRINGS '8' FED #1
263' FNL & 2545' FEL
SECTION 8, T19N, R4W
SANDOVAL COUNTY, NEW MEXICO

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

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

November 10, 1999

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

RE: NSL Application for Eagle Springs "8" Federal

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: Eagle Springs "8" Federal #1
Lease Number: NM 99705
Legal Description: 263' FNL & 2,548' FEL, Sec. 8 - T19N - R4W
Sandoval 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

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

EAGLE SPRINGS

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

BUREAU OF LAND MANAGEMENT
435 MONTANO NE
ALBUQUERQUE, NEW MEXICO
87107-4935

4a. Article Number

Z100 664 059

4b. Service Type

- | | |
|--|---|
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input checked="" type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

11/15/97

5. Received By: (Print Name)

JEANNE HOLBY

(Signature of Addressee or Agent)

X *Jeane Holby*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3871, December 1994

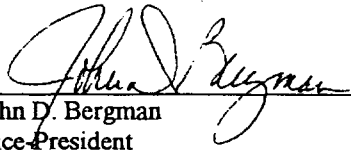
Domestic Return Receipt

Thank you for using Return Receipt Service.

EVIDENCE OF AUTHORITY TO EXECUTE DOCUMENTS

Penwell Energy, Inc., is empowered to act as Attorney-in-Fact for the San Juan Joint Venture under that certain Joint Venture Agreement dated April 29, 1997, as amended in that certain Amended and Restated Joint Venture Agreement dated August 13, 1997. John D. Bergman is Vice-President of Penwell Energy, Inc., and is empowered to execute legal documents on behalf of the corporation in its capacity as Attorney-in-Fact for the San Juan Joint Venture.

EXECUTED THIS 18th DAY OF MARCH, 1998.

By: 
John D. Bergman
Vice-President
Penwell Energy, Inc.

STATE OF TEXAS)

)ss.

COUNTY OF MIDLAND)

Before me, a notary public, on this 18th day of March, 1998, personally appeared John D. Bergman, Vice-President of Penwell Energy, Inc., in its capacity as Attorney-in-Fact for the San Juan Joint Venture, to me known to be the identical person who executed the foregoing statement, and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes set forth.

My commission expires: 01-08-2000


Notary Public

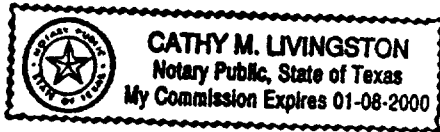


EXHIBIT "J"

orig to Price.



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

December 23, 1999

**Penwell Energy, Inc.
1100 Arco Building
600 N. Marienfeld
Midland, Texas 79701**

Attention: Bill Pierce

Re: Administrative application for an exception to Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for Penwell Energy, Inc.'s proposed Eagle Springs "8" Federal Well No. 1 (API No. 30-043-20949), to be drilled at an unorthodox Entrada oil well location 263 feet from the North line and 2548 feet from the East line (Unit B) of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico, whereby the NW/4 NE/4 of Section 8 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit.

Dear Mr. Pierce:

Your application is hereby denied for the following reasons:

- (1) notification appears to be insufficient pursuant to the Division Rules 104.F (3) and 1207.A (2) (see copies attached); and
- (2) the parameters used for well selection, as shown on the 3-D seismic survey that was submitted with your application (the red area), appear to be no different between the nearest standard oil well location within the NW/4 NE/4 (Unit B) of Section 8, being only 244 feet, and the proposed location.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque
Kathy Valdes, NMOCD - Santa Fe