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OCT 30 1987

PETRUS OIL COMPANY, L.P.  
400 WEST ILLINOIS  
INDEPENDENCE PLAZA BUILDING, SUITE 940  
MIDLAND, TEXAS 79701  
915/683-9452

October 27, 1987

New Mexico Oil Conservation Division  
Box 2088  
Santa Fe, New Mexico 87505-2088

Attention: Mr. David Catanach      Re: Case #9241  
Petrus Oil Company, L.P.  
Henshaw Federal #1  
Eddy County, New Mexico

Dear Mr. Catanach:

The text of this letter is a follow up to the referenced hearing that was conducted on Wednesday, October 21, 1987. It concerns the question raised as to the possible relationship of the producing Lower Atoka sand in the recently completed Petrus Oil Company Henshaw Federal #1 (Section 14, 16S-30E) and the producing gas sand in the Little Lucky Lake Field 4-1/2 miles to the north.

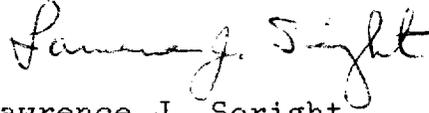
From a log standpoint, both sand zones are in the base of the Atoka and by interval appear to be correlative. From a time depositional standpoint, the sand at Little Lucky Lake was probably deposited at approximately the same time as in the Henshaw area which is further basinward. Migration into these sands would probably have been simultaneous so the hydrocarbon characteristics should be the same. There are no wells deep enough between Little Lucky Lake and the Henshaw well that have penetrated the Atoka section, but we know that the reservoir sand in question is not a blanket sand covering the entire area. This is evidenced by 16 other wells within a 10 mile radius of the two producing areas not having the sand developed. Further development drilling at Little Lucky Lake has been restricted by loss of sand on the flanks of the field, especially to the south, which indicates deposition was not continuous.

The depositional environment of the Atoka sand was probably deltaic and in the form of offshore bars. Isopachous mapping of the sand in the two areas indicates a NE-SW alignment to the interpreted bars which puts them in a staggered or offset position rather than in a continuous depositional trend which would indicate separation as bar sands do not normally meander that much. The hydrocarbon trapping mechanism in both producing areas is interpreted to be a draping of the sand bodies over deeper structure which is much in evidence at Little Lucky Lake and under the Henshaw Federal #1. Both of these mapped structures are isolated.

New Mexico Oil Conservation Division  
David Catanach  
October 26, 1987  
Page 2

In conclusion, I feel there is sufficient evidence, based on a study of the overall area, to indicate the producing sand in question is not a continuous reservoir.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence J. Seright".

Lawrence J. Seright  
Certified Petroleum Geologist  
Number 3100

LJS:lr

xc: Mike Erwin  
Scott Hall

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
J. SCOTT HALL  
PETER N. IVES  
JOHN H. BEMIS  
MARTE D. LIGHTSTONE

GUADALUPE PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

November 11, 1987

David Catanach  
New Mexico Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

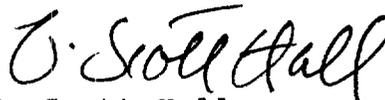
Re: Case #9241: Application of Petrus Oil Company for Pool  
Creation and Unorthodox Gas Well Location, Eddy County,  
New Mexico

Dear Dave:

Enclosed are copies of the offsetting interest owners in the above referenced case along with photocopies of the certified mail receipts. We ask that these materials be made a part of the record in this case. Also, I am advised that the geologic interpretation with respect to the continuity of the Little Lucky Lake and Henshaw Lower Penn fields have been forwarded to you under separate cover. Please let me know if you have not received that information.

Please let me know if you require anything further in this matter.

Very truly yours,

  
J. Scott Hall

JSH/dmg  
cc: Michael Erwin

# PETRUS OIL COMPANY, L.P.

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12377 MERIT DRIVE, SUITE 1600 DALLAS, TEXAS 75251  
(214) 788-3300 FACSIMILE (214) 788-3399

October 20, 1987

WORKING INTEREST OWNERS  
HENSHAW FEDERAL #1

WORKING INTEREST OWNERS  
HENSHAW DEEP UNIT

RE: Henshaw Federal #1  
Eddy County, New Mexico

Gentlemen:

This is to provide a notification that a hearing is scheduled for October 21, 1987 for Petrus' application for an unorthodox location and special gas pool rules on our Henshaw Federal #1, located 330' FSL and 1750' FWL of Section 14, Township 16-S, Range 30-E in Eddy County, New Mexico.

This notice is in accordance with our fiduciary responsibility as operator to notify each working interest partner of this hearing. Due to the delay in your notification there will be a 20-day delay in the final ruling on this matter. You may contact the Oil Conservation Division during this 20 day period, should you have any concerns or objections.

Sincerely,

Suzann L. Jourdan  
Regulatory Coordinator

PS Form 3811, July 1983 447-845

**SENDER: Complete items 1, 2, 3 and 4.**  
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

3. Article Addressed to:  
 Primary Fuels, Inc.  
 One Memorial City Plaza  
 820 Gessner Suite 600  
 Houston, Texas 77024

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 551 697 605

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
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- 1.  Show to whom, date and address of delivery.
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3. Article Addressed to:  
 Cities Service Oil and Gas  
 P. O. Box 300  
 Tulsa, OK 74101

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084 513

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X *[Signature]*

6. Signature - Agent  
X

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- 2.  Restricted Delivery.

3. Article Addressed to:  
 Texaco Production Inc.  
 P. O. Box 3109  
 Midland, Texas 79702

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084-518

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5. Signature - Addressee  
X

6. Signature - Agent  
X *[Signature]*

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DOMESTIC RETURN RECEIPT

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- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

3. Article Addressed to:  
 Exxon Company USA  
 Joint Interst Manager  
 P. O. Box 1700  
 Midland, Texas 79702

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084 516

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X *BS*

6. Signature - Agent  
X *Craig Perry*

7. Date of Delivery  
*10-23-87 DR*

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

DOMESTIC RETURN RECEIPT

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- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

3. Article Addressed to:  
 Joseph I. O'Neill Jr.  
 P. O. Box 2840  
 Midland, Texas 79702

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084 517

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5. Signature - Addressee  
X

6. Signature - Agent  
X *J. Hearn*

7. Date of Delivery  
*10-23-87*

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

DOMESTIC RETURN REC

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- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

3. Article Addressed to:  
 Walter Duncan  
 100 Park Avenue Building  
 Oklahoma, OK 73102

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084 515

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X *W. Duncan*

6. Signature - Agent  
X

7. Date of Delivery  
*10/23/87*

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

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- 1.  Show to whom, date and address of delivery.
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3. Article Addressed to:  
 Dexter Resources Company  
 P. O. Box 7015  
 Midland, Texas 79708

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084 519

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5. Signature - Addressee

6. Signature - Agent

Delivery Delivery

OCT 26 1987

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

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- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

3. Article Addressed to:  
 Conoco Inc.  
 Manager of Production  
 P. O. Box 460  
 Hobbs, NM 88240

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 246 084 514

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5. Signature - Addressee

6. Signature - Agent

7. Date of Delivery

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

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- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

3. Article Addressed to:  
 Flag Redfern Oil Company  
 P. O. Box 11050  
 Midland, TX 79702

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 551 697 606

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6. Signature - Agent

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DOMESTIC RETURN RECEIPT

OCT 23 1987

# PETRUS OIL COMPANY, L.P.

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12377 MERIT DRIVE, SUITE 1600 DALLAS, TEXAS 75251  
(214) 788-3300 FACSIMILE (214) 788-3399

October 28, 1987

OFFSET OPERATORS

RE: Henshaw Federal #1  
1750' FWL & 330' FSL  
Sec. 14, T16S, R30E  
Eddy County, New Mexico

Gentlemen:

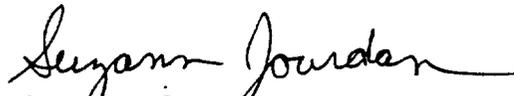
Enclosed is a copy of Petrus' amended application for an unconventional location and creation of a gas pool for the above captioned well.

This matter was heard by the Oil Conservation Division on October 21, 1987 and will be held open to hear again on November 18.

You need not attend, but failure to attend and enter your appearance of record will prevent you from participating in these proceedings at a later date.

Please note that as operator it is your responsibility to notify the working interest of this matter.

Sincerely,



Suzann Jourdan  
Regulatory Coordinator

AMOCO PRODUCTION COMPANY  
P.O. BOX 249  
ANDREWS, TX 79714

MOBIL TEXAS & NEW MEXICO PRODUCING  
9 GREENWAY PLAZA, SUITE 2700  
HOUSTON, TX 77046

ARMSTRONG  
P.O. BOX 1973  
ROSWELL, NM 88201

DUNCAN OIL  
1777 SOUTH HARRISON  
PENTHOUSE 1  
DENVER, CO 80210

B&W OIL COMPANY  
ROUTE 252  
NORTH HALDEMAN ROAD  
ARTESIA, NM 88210

MOREOILCO, INC.  
P. O. DRAWER 1  
ARTESIA, NM 88210

HANSON OPERATING COMPANY  
P.O. BOX 1515  
ROSWELL, NM 88202

KAISER-FRANCIS  
C. T. CORP. BUILDING  
6733 SOUTH YALE  
TULSA, OK 74121

MERWIN OIL COMPANY  
1300 MAIN, SUITE 707  
HOUSTON, TX 77002

TEXACO  
P. O. BOX 3109  
MIDLAND, TX 79702

SHELL WESTERN E&P, INC.  
P.O. BOX 576  
HOUSTON, TX 77001

J. I. O'NEILL  
P. O. BOX 2840  
MIDLAND, TX 79702

YATES PETROLEUM CORPORATION  
1669 SOUTH VOSS, SUITE 355  
HOUSTON, TX 77057

PHILLIPS PETROLEUM COMPANY  
4001 PENBROOK  
ODESSA, TX 79762