EnergyPro, Inc.

750 Pipeline Court
Suite 101
Hurst, Texas 76053
(817) 282-7881

January 29, 1996

Ms. Donna Pitzer
State of New Mexico
Oil Conservation Commission
P.O. Box 1980
Hobbs, New Mexico 88241-1980

RE: Huber-State No. 1
Sec. 5, T16S, R38E
Lea County, NM

Dear Ms. Pitzer:

Enclosed please find a Form C-104 with 4 copies that changes the operator for the referenced well. I have today sent our plugging bond to Ms. Diane Richardson in the Santa Fe office. I understand that she will inform you that the bond is in place so that the change of operator can be effected.

Since this is our first well to operate in New Mexico, I would appreciate it if you would let me know if there is anything else that is required in order that the Oil Conservation Division's requirements are satisfied in regards to our operation of the well. We plan to re-enter the well in the near future and will file the appropriate forms with your office prior to doing so.

Thanks for your assistance.

Sincerely,

ENERGYPRO, INC.

Don C. Pfiester
President


JAN 1995
Received
Hobbs
OCD

Petroleum Development Corporation

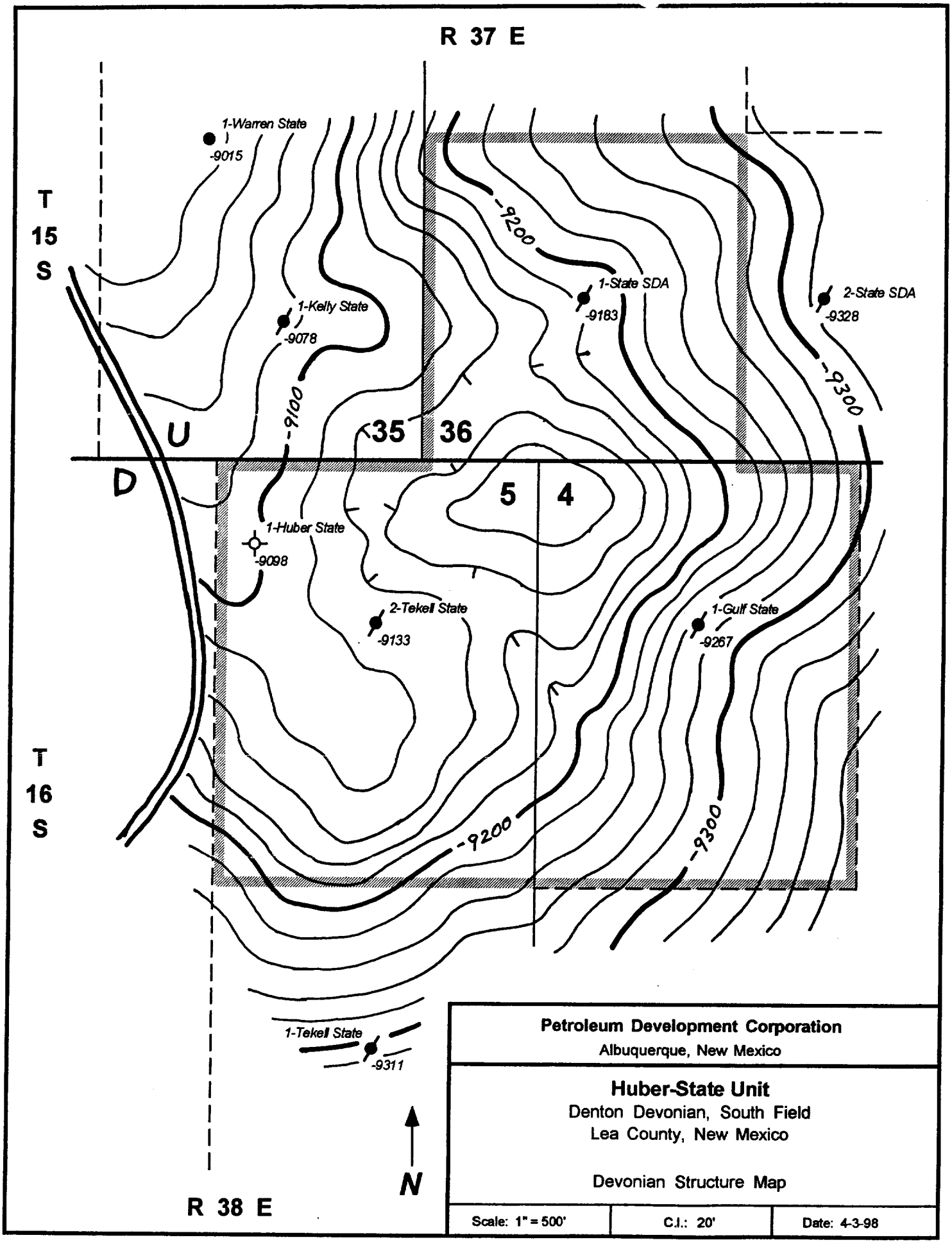
Huber-State Unit No. 1-H
330' FNL & 1150' FEL of Section 5, T-16-S, R38-E
Lea County, New Mexico

Geological Discussion

Abandoned fields throughout southeastern New Mexico undoubtedly hold millions of barrels of unrecovered reserves. In order to produce these reserves in an economic and prudent manner, it is necessary to drill additional infield wells at locations that are geologically correct without regard to the existing surface boundaries. To do otherwise will result in very little bypassed oil being recovered because, in most cases, the optimum locations chosen due to surface lease constraints have already been drilled by wells that are now abandoned.

The South Denton (Devonian) Field produced in excess of 3,728,000 barrels of oil during its initial production lifetime. Detailed examination of the production from the field's wells indicates that there remains the potential to produce a large volume of unrecovered reserves from the abandoned field. Proper placement of new wells and the use of horizontal drilling technology should result in these reserves being produced. The Huber-State Unit No. 1-H horizontal lateral was chosen in an effort to drill the well in the best geological position without regard for the existing surface section lines. An economic benefit can be realized by re-entering the existing well bore of the EnergyPro, Inc. (formerly Kinlaw Energy) Huber-State No. 1 well and drilling directionally and horizontally to the optimal location.

It is believed that the proposed bottom hole location of the Huber-State Unit No. 1-H is located at the highest structural position in the southeastern portion of the South Denton (Devonian) Field. It is felt that the optimal location of the horizontal lateral should result in attaining a structural position that is at least 50' higher than any of the nearby existing wells perforated intervals. Therefore, since ultimate oil cumulative production is directly related to structural position, the bottom hole placement should result in the highest ultimate recovery for the well. This higher structural location should also result in less water production during the lifetime of the well. To place the horizontal lateral in an "orthodox" location will not optimize the total oil reserves that the well otherwise would recover.

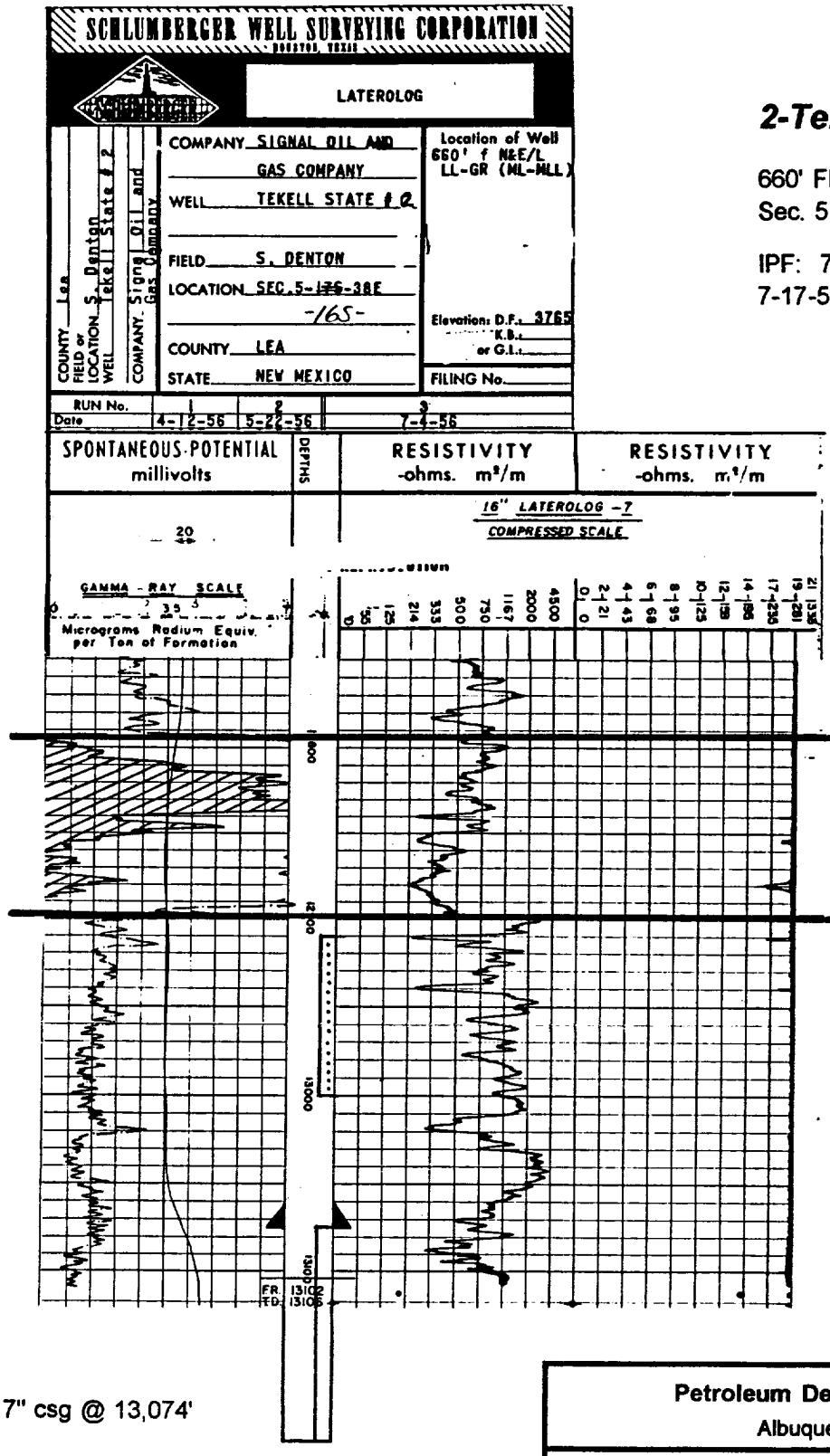


Petroleum Development Corporation
Albuquerque, New Mexico

Huber-State Unit
Denton Devonian, South Field
Lea County, New Mexico

Devonian Structure Map

Scale: 1" = 500'	C.I.: 20'	Date: 4-3-98



2-Tekell State

660' FNL, 660' FEL
Sec. 5 - 16S - 38E

IPF: 774 BOPD
7-17-56

MISSISSIPPIAN

WOODFORD

DEVONIAN

Pay Zone
Perf 12,910-13,000'
Open Hole 13,074-13,200'

7" csg @ 13,074'

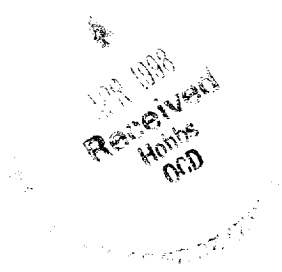
TD 13,200'

Petroleum Development Corporation
Albuquerque, New Mexico

Huber-State Unit
Denton Devonian, South Field
Lea County, New Mexico

Type Log

Scale: 1" = 100'	C.I.:	Date: 4-3-98


Received
Hobbs
OCD

Petroleum Development Corporation

Huber-State Unit No. 1-H
330' FNL & 1150' FEL of Section 5, T-16-S, R38-E
Lea County, New Mexico

List of Operators and Lease Numbers

Shown below is a list of the offset lease owners names and addresses to whom certified letters have been sent indicating the unorthodox horizontal lateral and bottom hole location for the referenced well.

1. Yates Petroleum Corporation
   105 South Fourth Street
   Artesia, NM 88210
   Lease VA-1381, V-4660

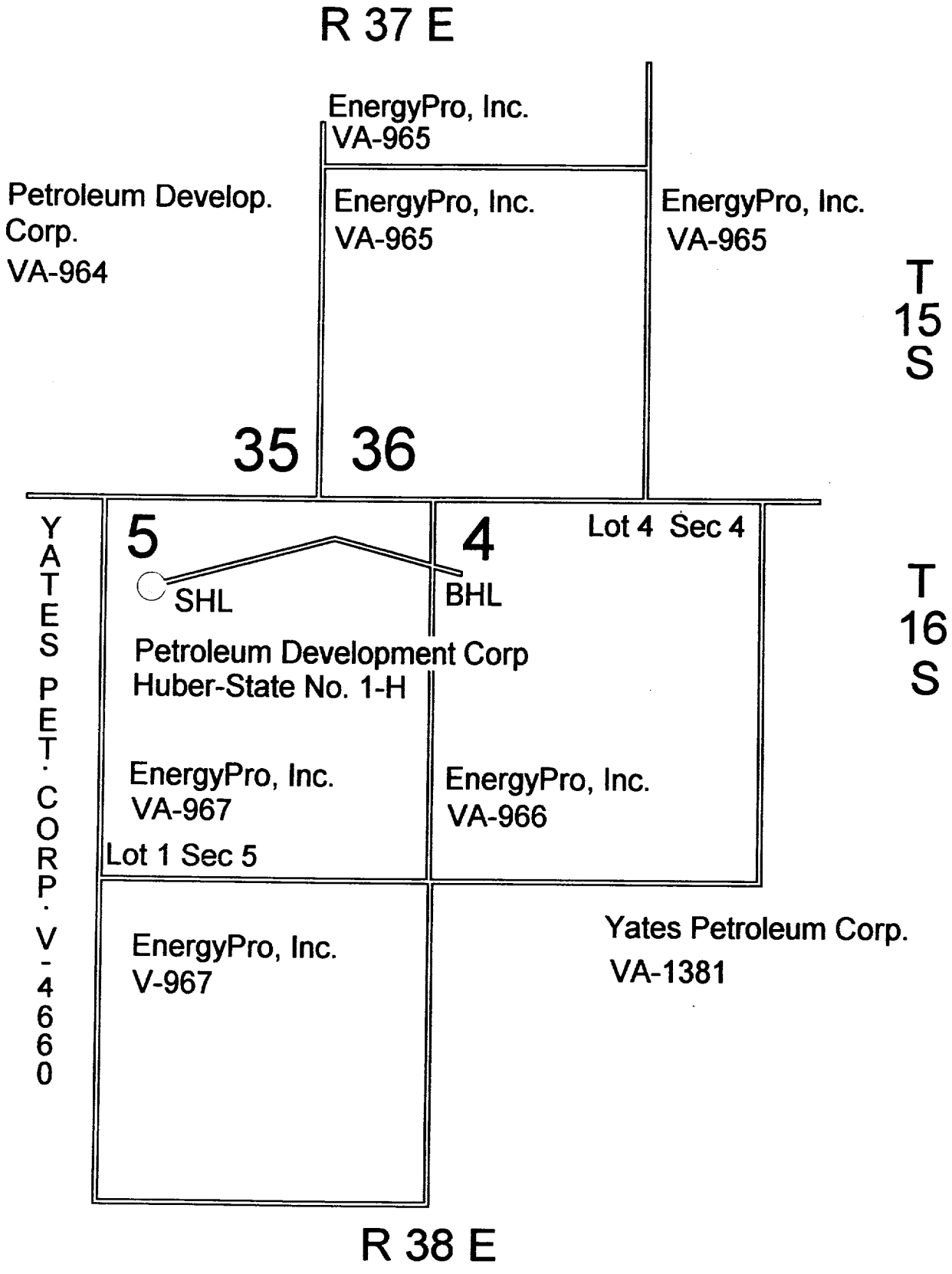
2. EnergyPro, Inc.
   500-A S. Hangar Dr.
   Georgetown, TX 78628
   Lease VA-965, VA-966, VA-967


APR 1988
Received

Ownership Map

Huber-State Unit No.1-H

Lea County, New Mexico




APR 1998
Roosevelt
Hobbs
N.M.