



**The Home-Stake Royalty Corporation
The Home-Stake Oil & Gas Company**

15 East 5th Street, Suite 2800
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VIA REGISTERED MAIL, RETURN RECEIPT REQUESTED

State of New Mexico Oil Conservation Commission
2040 S. Pacheco
Santa Fe, NM 87505

Attention: Mr. Michael Stogner

RE: Exception to Division Rule 104.C
Republic No. 1-5
SW/4 NE/4 Sec. 5-T22S-R37E
Lea County, New Mexico
L1703010W

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), The Home-Stake Royalty Corporation hereby applies for administrative approval of an unorthodox location for the subject well. The well has been permitted to be drilled 330' FNL & 330' FEL of the 40-acre spacing unit consisting of the SW/4 NE/4 Sec. 5-T22S-R37E (1650' FNL & 1650' FEL of Section 5) as shown on attached Forms C-101 and C-102. We are planning to drill a vertical well to produce the Fusselman formation which is truncated by the Permian near the East line of the spacing unit (See Attached subcrop map). The Fusselman is a water drive reservoir with no penetrations in this fault block, therefore, the depth of the water table has not been established. If the vertical well penetrates the Fusselman at a structural position below the water table, it is proposed to sidetrack the hole a maximum distance of 230' to the East to attempt to penetrate the Fusselman above the water table. The Fusselman beds are dipping to the West at approximately 11°. We will gain approximately 45' of structural position in the 230' of Eastward movement. (See attached cross-section). Penetrating the Fusselman at this point will result in an unorthodox location for the 40-acre spacing unit. We are requesting administrative approval for an exception to Division Rule 104.C to permit Home-Stake to expand the window and allow the well to legally produce from the Fusselman at a distance no closer than 100' FEL spacing unit (1420' FEL Sec. 5).

This action will affect the owners of operating or leasehold rights to the Fusselman in Spacing Unit A (NE/4 NE/4), Unit H (SE/4 NE/4) and Unit I (NE/4 SE/4). The affected owners are shown on Form C-102 and on the attached Exhibit "A". These owners have been notified by certified mail and facsimile of Home-Stake's request for an unorthodox location and have been requested to waive their right to object to the unorthodox location. A copy of the notification letter and a affidavit of notification (Exhibit "B") is also attached.