

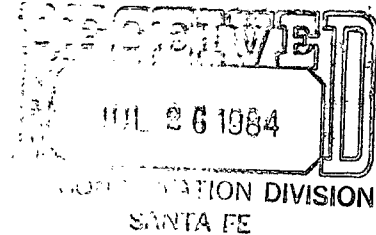
ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88201

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT



July 25, 1984

Joe D. Ramey, Secretary-Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

NSL-1852

RULE 104F II.
Release Immediate

Re: State S.E. #2
Lease #L-5349
Sec. 23, T-9S, R-26E
1980 FSL, 990 FEL
Chaves County, New Mexico

STATE LEASE

FOOR RANCH PRE PERMIAN
3/2 OF SECTION 23 Dedicated

Dear Sir:

Elk Oil Company would appreciate an administrative approval for a proposed unorthodox Pre-Cambrian well location as provided for under NMOCD Rule 104F.

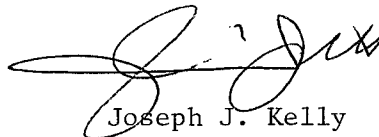
The referenced well requires the South half of Section 23 to be dedicated to it. We are requesting approval of this non-standard location for geologic reasons, which are attached.

Enclosed please find a copy of the lease map showing offsetting lease operators. Offsetting lease operators have been notified of our intentions by certified mail. Attached is a copy of the signed waiver from Yates Petroleum, the only offset operator.

Thank you for your help in this matter.

Yours very truly,

ELK OIL COMPANY


Joseph J. Kelly
President

JJK/rm
Encl.

ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88201

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT

July 6, 1984

RECEIVED JUL - 9 1984

Yates Petroleum Corporation
207 South Fourth Street
Artesia, New Mexico 88210

Re: Unorthodox Location
990 FEL, 1980 FSL
Sec. 23, T-9S, R-26E,
Chaves County, New Mexico

Attn: Randy Patterson

Gentlemen:

Elk Oil Company proposes the drilling of its S.E.
State #2 well to be located at the captioned location.

This well is to be drilled to the Fusselman formation
with a total depth of approximately 6400± feet. Under
Rule 104F, Part III of the Oil Conservation Division, offset
operators of the dedicated proration unit are to be notified
by certified mail of the unorthodox location request.

At this time Elk Oil Company, operator of the proposed
drillsite, is hereby requesting your waiver of objection to
said unorthodox location. To do so, please sign one copy
of this letter and return to the undersigned. Envelopes are
enclosed for your convenience.

If you have any questions regarding the foregoing,
please do not hesitate to contact the undersigned. Your
time and cooperation in this matter is greatly appreciated.

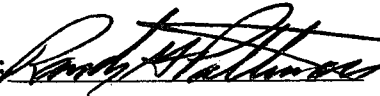
Yours very truly,

ELK OIL COMPANY


Joseph J. Kelly
President

JJK/rm

The undersigned representative of
Yates Petroleum Corporation
hereby waives objection to the
foregoing request for unorthodox
location.

Authorized by: 
Date: 7-16-84

OK per
Leslie
7-18-84

ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88201

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT

GEOLOGIC CONDITIONS
FOR
UNORTHODOX LOCATION
OF THE
ELK OIL COMPANY STATE S.E. #2
1980 FSL, 990 FEL Section 23, T-9S R-26E

Elk Oil Company respectfully requests administrative approval for the unorthodox location of its proposed State S.E. #2 to be drilled 1980 feet from the South line and 990 feet from the East line of Section 23, Township 9 South, Range 26 East, Chaves County, New Mexico. The South half of Section 23 would be dedicated to the well.

The necessity for this unorthodox location is based upon geologic conditions.

Exhibit #1 is a land plat showing the proposed location and its relationship to the surrounding acreage situation. The proration unit is outlined in red.

Exhibit #2 is a map showing the subsurface structure on top of the Montoya formation. The contour interval is 50 feet. The large well spots are the Montoya penetrations. Well spots colored in blue indicate Montoya producers. The dashed line denotes the Montoya formation pinch out.

The structure map shows that there is a small anticline with more than 50 feet of closure below parts of Sections 13, 23, and 24 of T-9S, R-26E and below Section 19 of T-9S, R-27E.

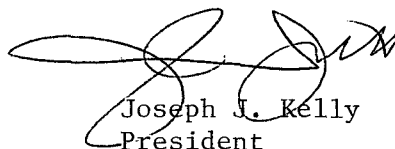
The better Montoya producers indicate that porosity and permeability increases are related to structure as the Elk Oil Company Aikman State #1, the Pool Eastland State #2 and the Elk Oil Company Meredith State #1 are above -2200 subsea datum on top of the Montoya formation. Wells occurring below this level are either poor producers in the Montoya or are non-productive. This is indicated by the Yates Whitworth State #1, the HEYCO Seymour State #1, and the Pool Eastland State #1. Porosity and permeability also becomes inadequate for production to the West as neither the Yates Smith "JR" State #1 nor the Dallas Ranch Marathon #1 are productive in the Montoya.

In summary, the proposed unorthodox location is the best allowable location in the South half of Section 23 which would enable the borehole to encounter the structure at its highest point possible and still penetrate a full section in the lower Paleozoics. It is anticipated that such structurally high penetration of the Montoya formation would enhance earlier and greater recovery of gas reserves. The well will be drilled through to the Pre-Cambrian to ensure that the complete section is tested.

The above discussion of geologic conditions and Exhibits #1 and #2 were prepared by Joseph J. Kelly.

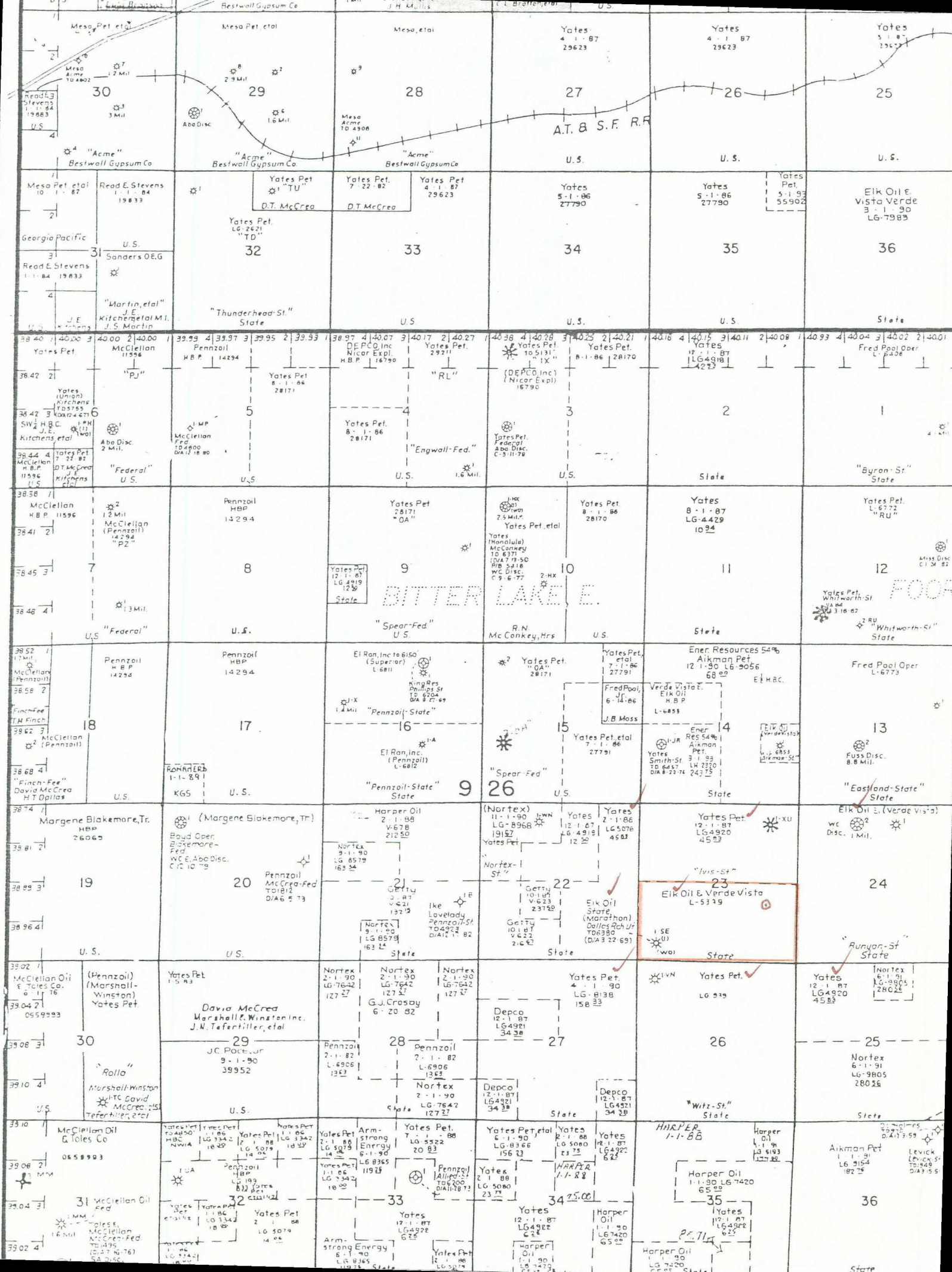
Yours very truly,

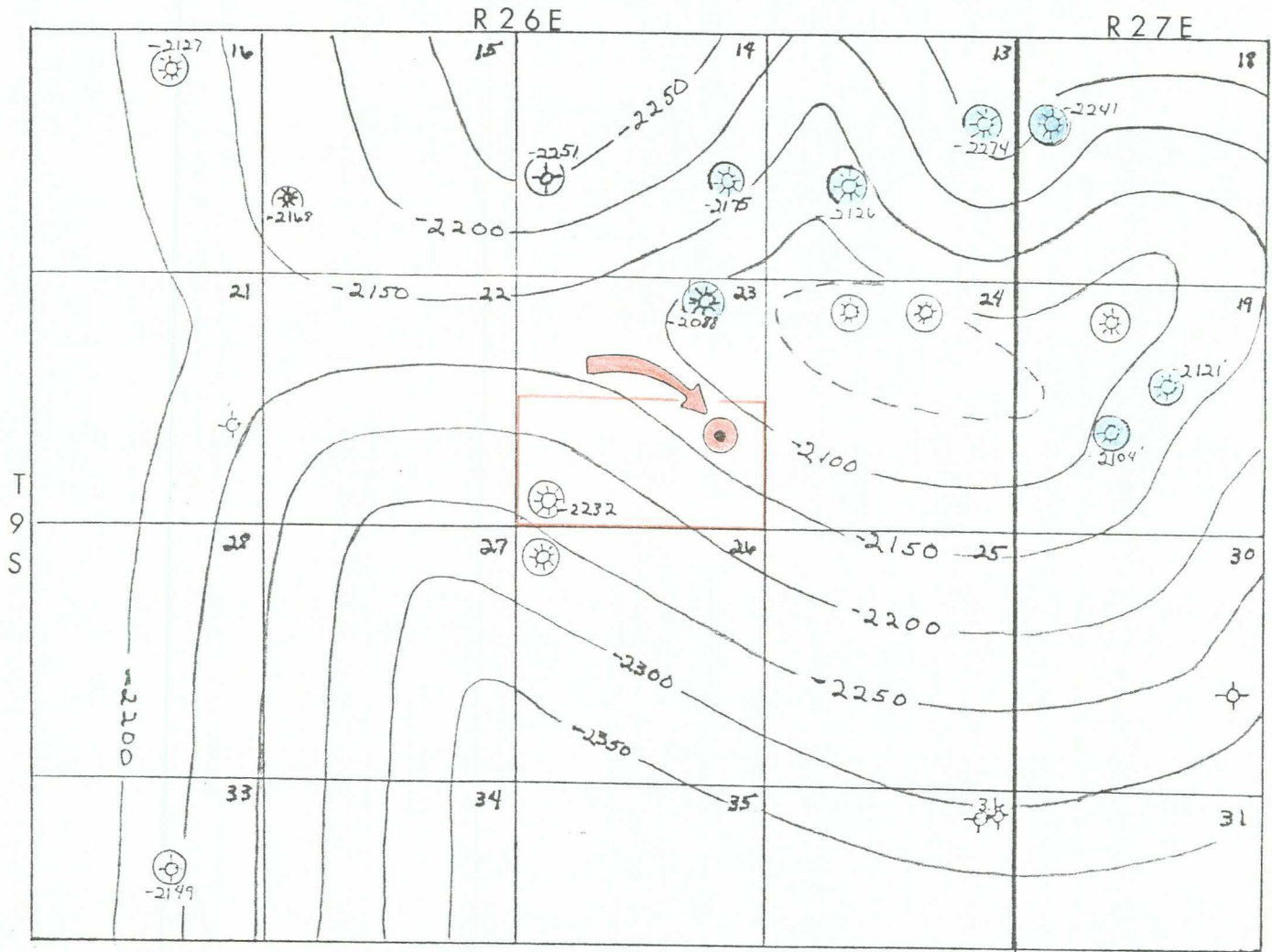
ELK OIL COMPANY






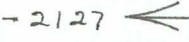



Joseph J. Kelly
President

JJK/rm





LEGEND

-  Montoya Penetrations
-  Montoya Producers
-  Producing from Horizons other than Montoya
-  Subsea Datum on top of Montoya Formation
-  Structural Contours on top of Montoya Formation
C.I.=50 feet
-  Denotes Pinchout of Montoya Formation
-  Proposed Location