

ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88202

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT

November 18, 1988

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Unorthodox location for
W.R. State #4
990' FEL, 660' FSL
Sec. 24, T-9S, R-27E
Chaves County, New Mexico

Attn: Michael Stogner

Gentlemen:

Elk Oil Company respectfully requests an administrative approval for a proposed unorthodox location as provided for under NMOCD Rule 104F.


Our preferred location for this well is 990' FEL and 660' FSL. Our reason for requesting this nonstandard location is geological (please note attached Exhibits 1 and 2).

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, via a xerox copy of this letter, along with a waiver stating that they have no objections. Yates Petroleum is the only offsetting operator. Enclosed is a copy of their waiver.

If you should have any questions concerning this matter, please do not hesitate to call. Thank you.

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

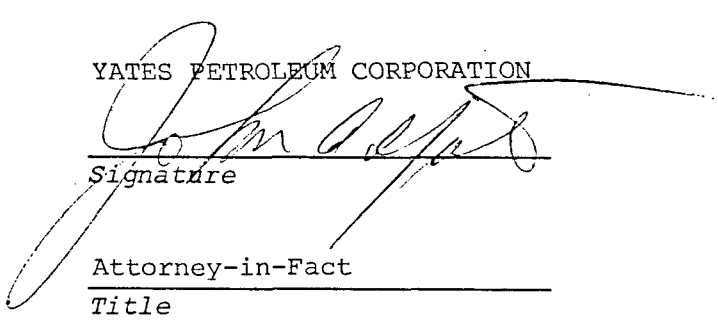
JOSEPH J. KELLY
PRESIDENT

November 6, 1987

W A I V E R

As an offset operator, Yates Petroleum Corporation, has no objections to Elk Oil Company proposing an unorthodox location no closer than 660' FSL of Section 24, Township 9 South, Range 26 East, Chaves County, New Mexico, provided the spacing unit is a lay down 320, being a S/2 dedication.

YATES PETROLEUM CORPORATION



Signature

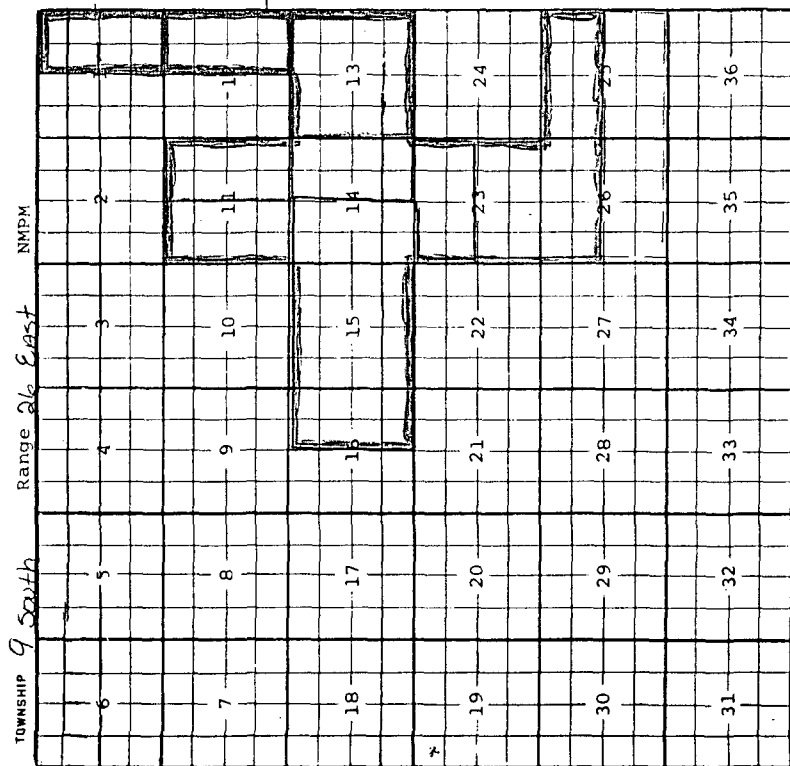
Attorney-in-Fact

Title

November 11, 1987

Date

county Chaves pool Four Ranch-Permian Gas



Description: Sec. 1 $\frac{1}{2}$, Sec. 12 $\frac{1}{2}$, Sec. 13 All (P-7048, 8-9-82)

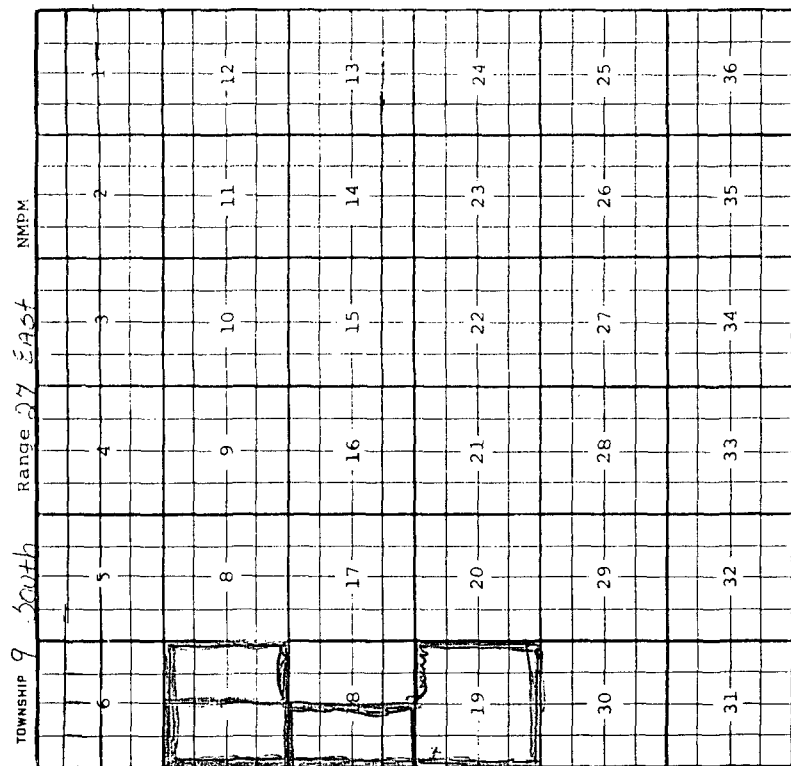
Ext. $\frac{1}{2}$ Sec. 14 (R-7307, 6-14-83) Ext. $\frac{1}{2}$ Sec. 23 (R-7437, 2-6-84)

Ext. $\frac{1}{2}$ Sec. 14, All Sec. 15, $\frac{1}{2}$ Sec. 16 (R-7208, 10-25-84)

Ext. $\frac{1}{2}$ Sec. 11 (R-8592, 12-5-88) Ext. $\frac{1}{2}$ Sec. 11 (R-8665, 6/10/88)

Ext. $\frac{1}{2}$ Sec. 23, $\frac{1}{2}$ Sec. 25, $\frac{1}{2}$ Sec. 26 (R-8747, 9/19/85)

county Chaves pool Four Ranch-Permian Gas



Description: Sec. 7 $\frac{1}{2}$, Sec. 18 $\frac{1}{2}$ (R-7248, 5-9-82)

Ext. All Sec. 14 (R-7307, 6-14-83), $\frac{1}{2}$ Sec. 7 (R-8667, 4/1/88)

ELK OIL COMPANY

BOX 310

JOSEPH J. KELLY
PRESIDENT

ROSWELL, NEW MEXICO 88202
(505) 623-3190

November 21, 1988

Geologic Conditions
for
Unorthodox Location
of the
ELK OIL COMPANY
W.R. State #4
990' FEL, 660' FSL
Section 24, T-9S, R-26E
Chaves County, New Mexico

Elk Oil Company respectfully requests administrative approval for the unorthodox location of its proposed W.R. State #4 to be drilled 990' FEL and 660' FSL of Section 24, Township 9 South, Range 26 East, Chaves County, New Mexico. The south half of section 24 would be dedicated to the W.R. State #4 for a Pre-Mississippian Dolomite test.

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.

The necessity for this unorthodox location is based upon the following geologic conditions. Exhibit #2 is a structure map on top of the Pre-Mississippian Dolomite. A contour interval of 50' was used with datum points indicated by the subsea number beside circled well locations which penetrated the Pre-Mississippian Dolomite. Wells which encountered Penn. on Precambrian are indicated by the letters Abs, beside circled well locations. The heavy dark contour line indicates the approximate Pre-Mississippian Dolomite pinchout. Production in the mapped area is indicated by the colored circled well locations. Pre-Mississippian Dolomite production is colored green, Wolfcamp production blue, and Abo production is colored yellow. The proposed location is indicated so and is colored red.

The structure map indicates a structural anomaly in parts of section 23, 24, 25, and 26 of Township 9 South, Range 26 East and parts of Section 19 and 30 of Township 9 South Range 27 East.

Through log analysis and production data, it has been found that the best permeability and porosity for the best possible production is found when Pre-Mississippian Dolomite is encountered at a subsea depth of approximately -2100' to -2140'. Through log analysis and formation tests a gas/water contact has been established at a subsea depth of approximately -2240'.

The best Pre-Mississippian Dolomite wells in the mapped area are listed below, all have Pre-Mississippian Dolomite subsea elevations at or above -2140'

Elk Oil Company
Viking State Comm. #2
Sec. 19, T-9S, R-27E
1980' FNL, 1980' FEL

Elk Oil Company
Meredith State Comm. #1
Sec. 19, T-9S, R-27E
1980' FSL, 1980' FWL

Yates Petroleum Company
Enron "AEY" State #1
Sec. 25, T-9S, R-27E,
1980' FSL, 1980' FWL

Yates Petroleum Corporation
Witz "VN" State #3
Sec. 26, T-9S, R-26E
1980' FSL, 660' FEL

The poorer Pre-Mississippian Dolomite producers have subsea elevations below -2160'. These are listed below:

Yates Petroleum Company
Dragonfly State Unit #1
Sec. 30, T-9S, R-27E
660' FNL, 990' FWL

Yates Petroleum Corporation
Witz "VN" State #2
Sec. 26, T-9S, R-26E
660' FNL, 660' FEL

In summary, Elk Oil Company believes according to the available data, the proposed unorthodox location is the best location in the south half of section 24 to test the Pre-Mississippian Dolomite. The W.R. State #4 will be drilled through the Pre-Mississippian Dolomite and into the Precambrian to insure that the complete section is tested.

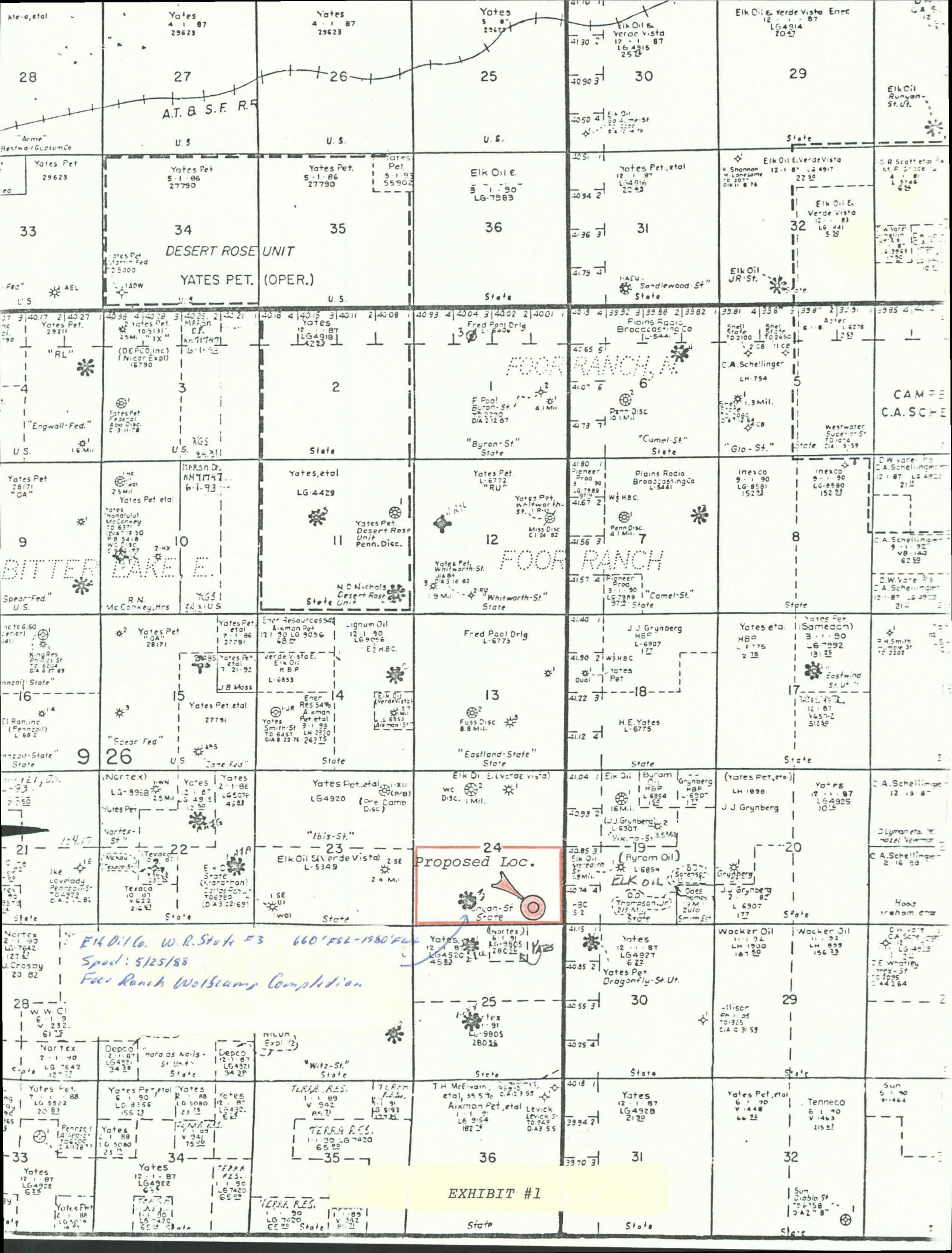
Yours very truly,

ELK OIL COMPANY



Joseph J. Kelly
President

JJK/rm



A.T. & S.F. R.R.

DESERT ROSE UNIT
YATES PET. (OPER.)

FOOT RANCH

FOOT RANCH

Proposed Loc.

EXHIBIT #1

Elk Oil Co. W.R. State #3 660' FSL-1980' FSL
Spd: 5/25/88
Foot Ranch Wolfcamp Completion

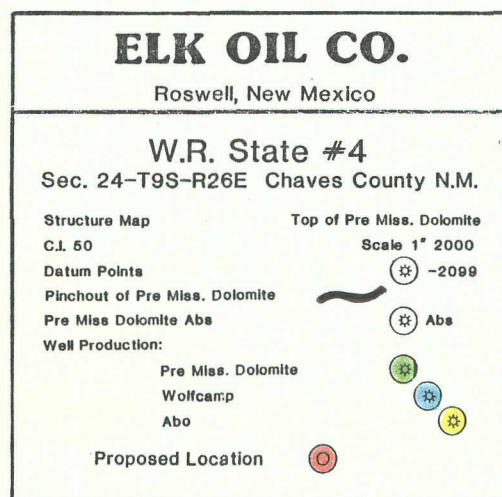
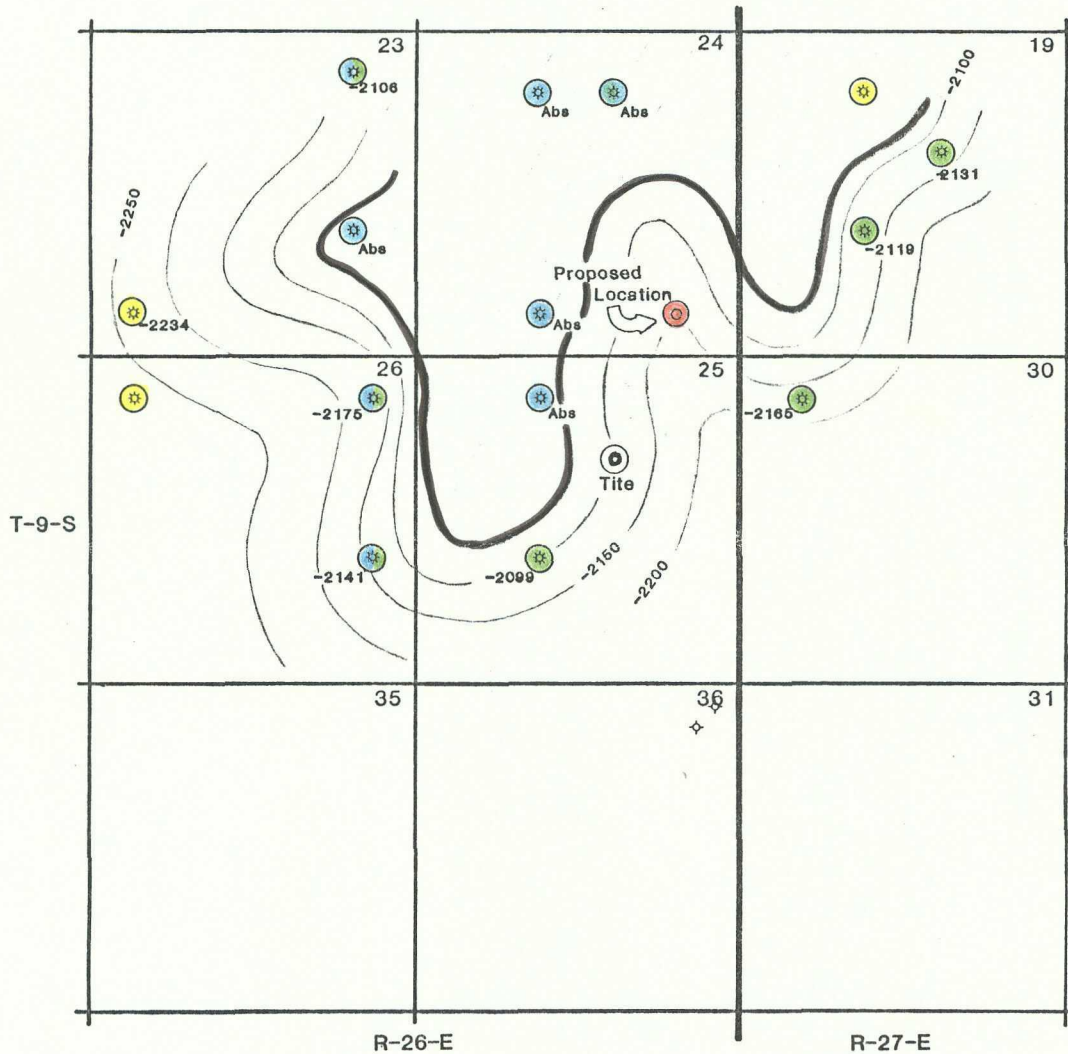


Exhibit #2