

5/22/98 | 6/11/98 | MS | KV | NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

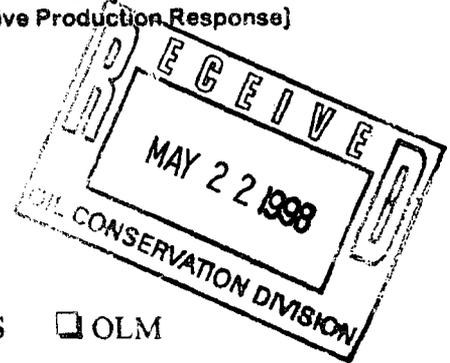
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Print or Type Name

James [Signature]
Signature

Attorney for Applicant
Title

5/22/98
Date

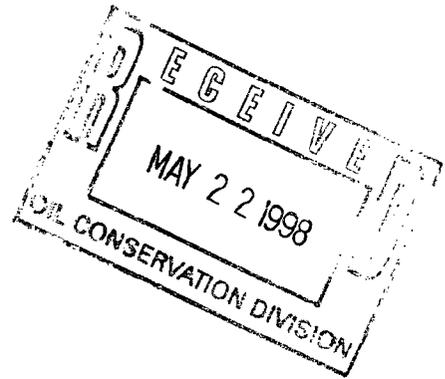
JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 22, 1998



Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Nearburg Exploration Company, L.L.C. ("Nearburg") applies for administrative approval of an unorthodox gas well location for the following well:

Crow Flats "10" Fed. Com. Well No. 1
2310 feet FNL & 1310 feet FEL
E½ S10, Township 16 South, Range 28 East, NMPM
Eddy County, New Mexico

The well will be drilled to test the Morrow formation, and the E½ of Section 10 will be dedicated to the well. The well is a wildcat Morrow test, and is spaced on statewide rules, requiring that wells be no closer than 1650 feet to the end line of a well unit and 660 feet to the side line of a unit, and no closer than 330 feet to a quarter-quarter section line. The location is unorthodox because it is too close to a quarter-quarter section line. Attached hereto as Exhibit A is a Form C-102 for the well.

The proposed location is based on geologic (geophysical) reasons. Attached as Exhibit B is an isopach of the Lower Morrow "C" sand, the primary zone of interest. The isopach shows where the sand is believed to be deposited, and three seismic lines. The tan portions of the lines are where the Morrow is present, and the uncolored portions of the lines are where no Morrow is present. The proposed location is centrally located where all seismic three lines indicate the Morrow sand will be present. Nearburg believes that the proposed location minimizes the risk involved in drilling the well, especially since there are several dry holes in the immediate area of the proposed well.

Because the well is only moving toward an interior unit boundary, notice is not required to be given to anyone. **Therefore, Nearburg requests that the 20 day notice period be waived.**

This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Nearburg
Exploration Company, L.L.C.

cc: Duke Roush

DISTRICT I
P.O. Box 1960, Hobbs, NM 88241-1960

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

RECEIVED
MAY 22 1998
OIL CONSERVATION DIVISION
AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-30168	Pool Code	Pool Name Wildcat
Property Code	Property Name CROW FLATS "10" FEDERAL COM	Well Number 1
OGRID No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3593

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	10	16 S	28 E		2310	NORTH	1310	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill N	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

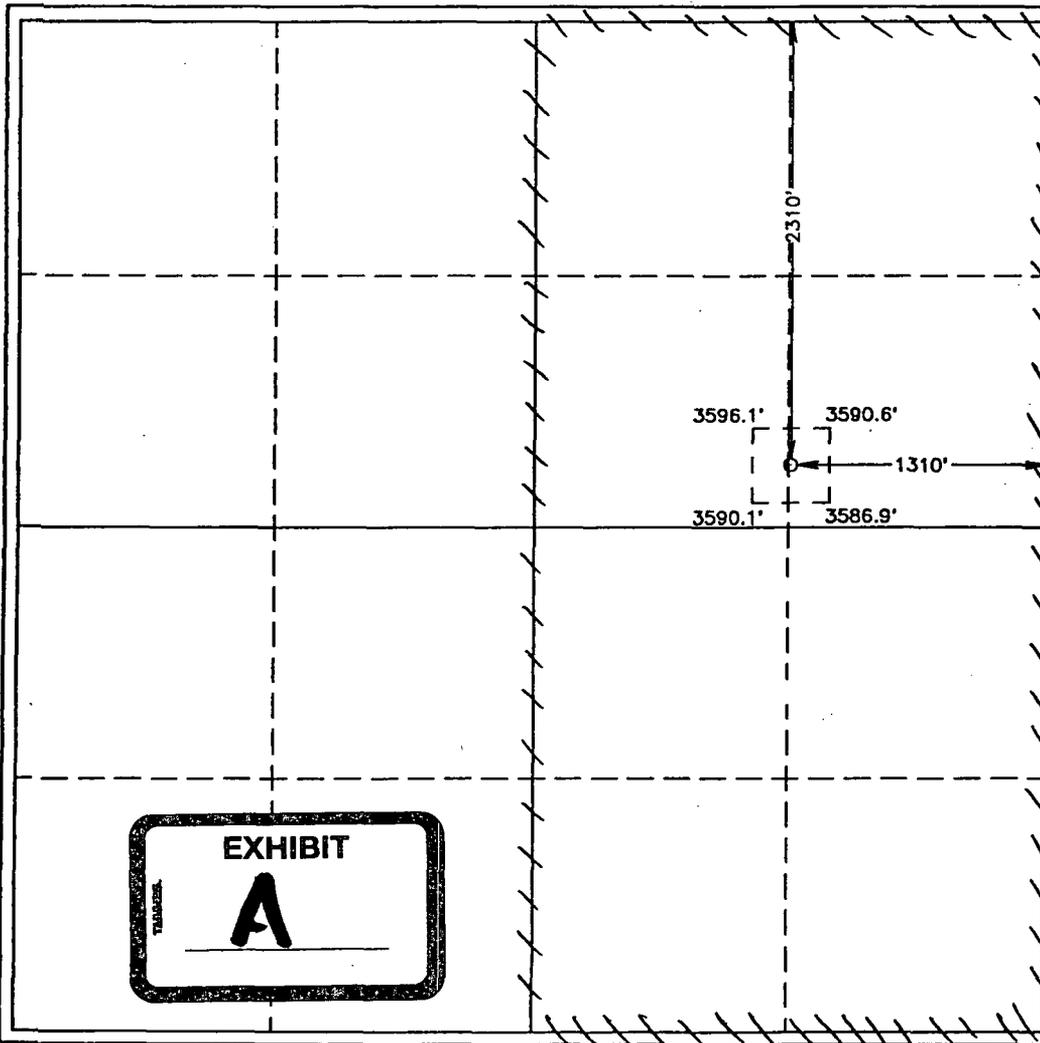


EXHIBIT
A

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

E. Scott Kimbrough
Signature
E. Scott Kimbrough
Printed Name
Manager of Drld & Prod.
Title
3/2/98
Date

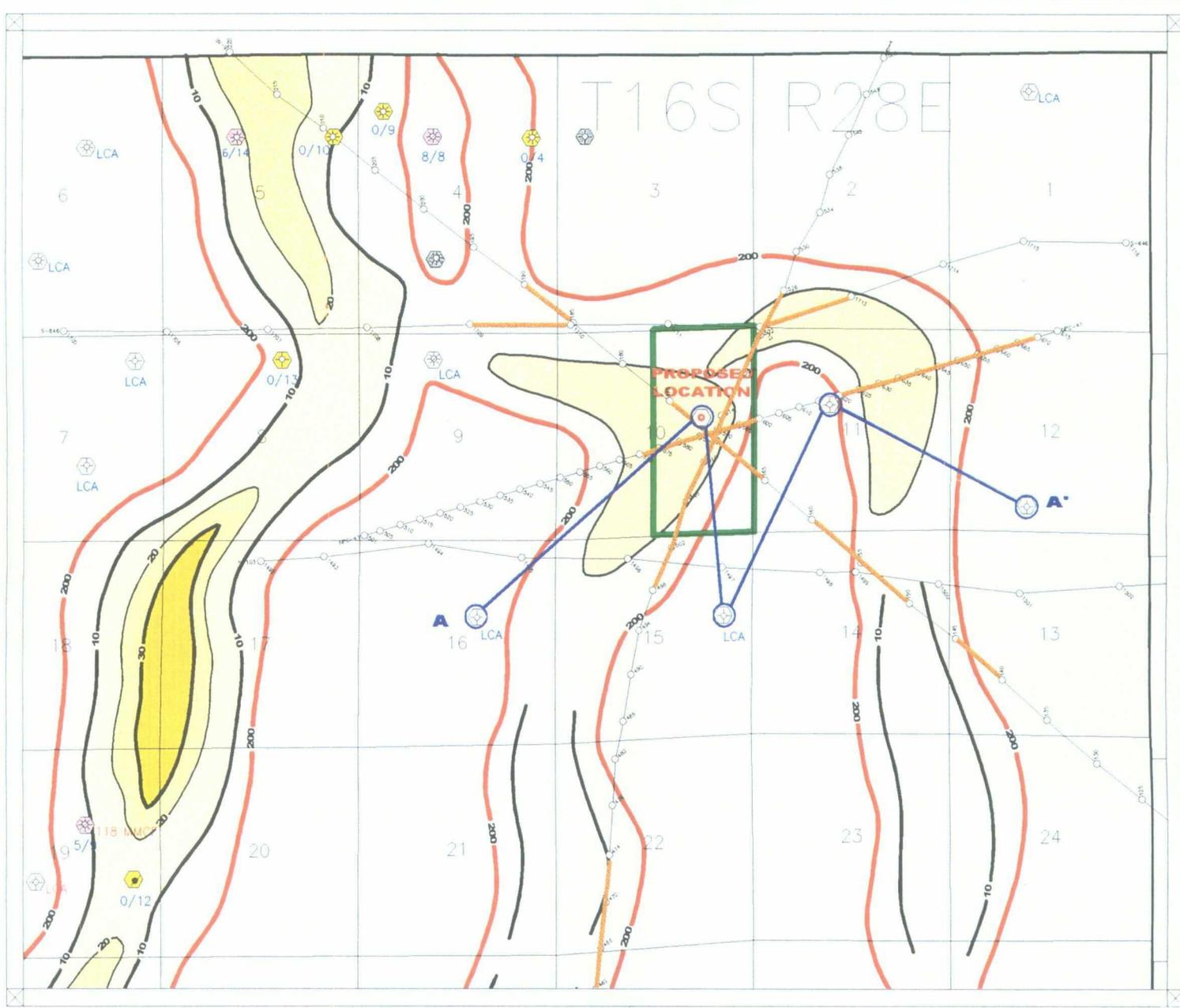
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

DECEMBER 16, 1997
Date Surveyed JLP

Signature of Seal of Professional Surveyor
RONALD S. EDSON
NEW MEXICO
12-17-97
P.O. Num. 97-122042

Certificate No. RONALD S. EDSON, 3239
GARING EDSON, 12641
MCDONALD, 12185



LEGEND

- SEISMIC ATOKA-CHESTER THICKS
(CALCULATED BY CONVERTING ISOCHRON TIMES)
- GROSS MORROW THICKNESS > 200'

LEGEND

- LCA LOWER "C" ABSENT
- LOWER MORROW ABSENT
- LOWER MORROW "C" SHALE
- LOWER "C" TIGHT SAND
- LOWER "C" POROUS SAND
- NPC LEASEHOLD



Scale 1:48000.



Nearburg Producing Company
Exploration and Production
Midland, Texas

Geological
Figure 2

**CROW FLATS 98 PROSPECT
EDDY COUNTY, NEW MEXICO**

**MORROW LOWER "C"
GROSS SAND ISOPACH MAP**

C. I. = 10'

GEOLOGIST	DATE	DRAWN BY	FILE NO.
J. B. ELGER	3/98	NKM / LCG	isolcgsd.gpf



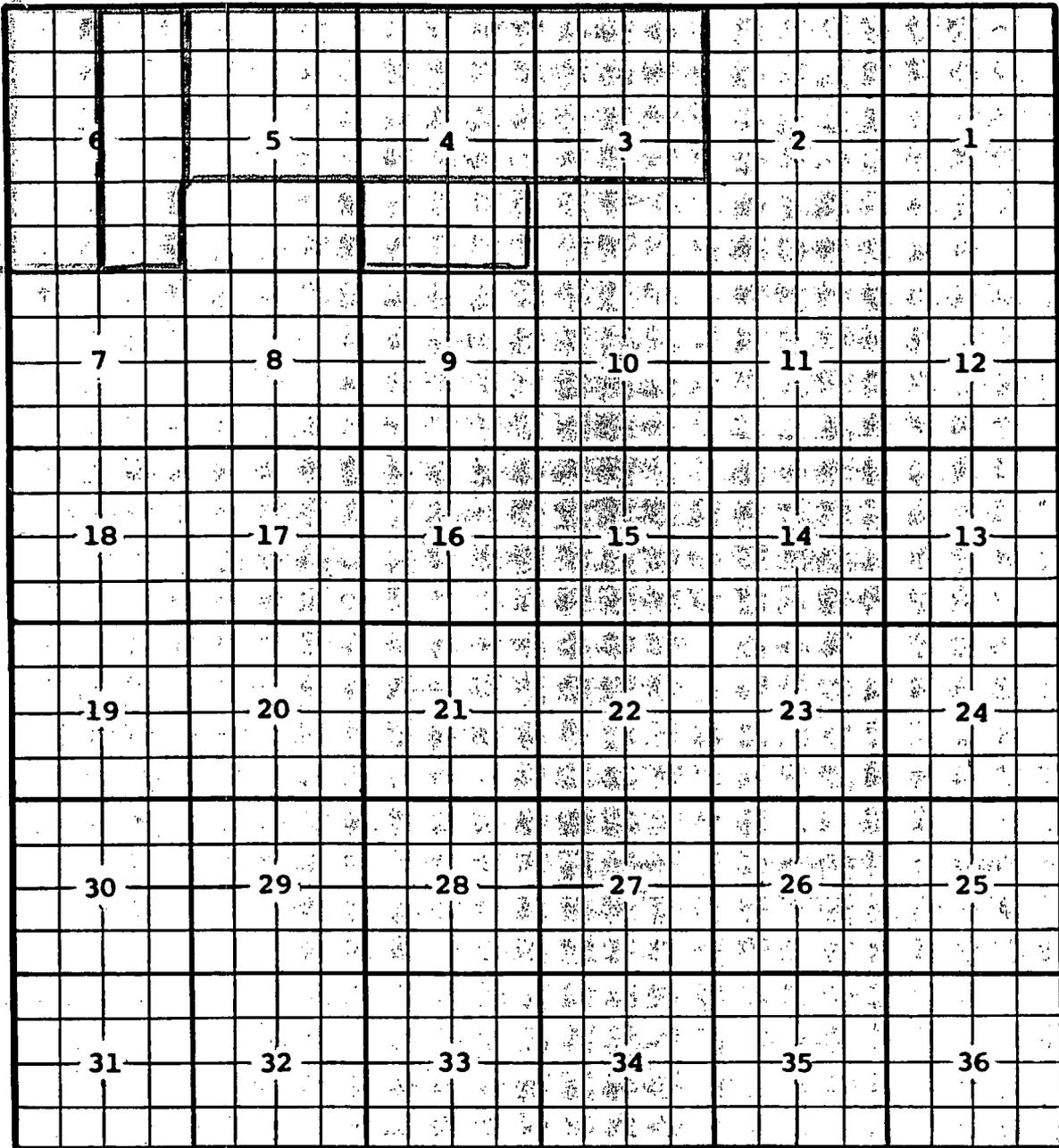
COUNTY Eddy

POOL Diamond Mound - Morrow Gas

TOWNSHIP 16 South

RANGE 28 East

NMPM



Re-defined From Diamond Mound - Morrow - Atoka Gas Pool

Description: Lot 1 thru 16 sec 3, Lots 1 thru 16 sec 4, Lots 1 thru 16 sec 5,

~~1 thru 16 sec 6~~ (R-8892, 3-20-89) EXT: E/2 SEC 6 (R-9176, 6-1-90)

Ext: 1/2 Sec. 4 (R-9578, 9-10-91)