

DATE: 1/13/04	SUSPENSE	ENGINEER: MS	LOGGED IN: LR	TYPE: NSL	APP NO: PLR0401448329
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
☒ NSL ☐ NSP ☐ 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

[D] Other: Specify _____

[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] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce

Print or Type Name

Signature

Attorney for Applicant

Title

jamesbruc@aol.com

e-mail Address

Date

RECEIVED

JAN 18 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

1/14/03

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 660-6612 (CELL)
(505) 982-2151 (FAX)

jamesbruc@aol.com

January 14, 2004

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

30-025-33506

Dear Mr. Stogner:

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

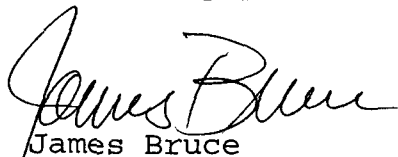
<u>Well:</u>	Minis 1 Fed. Com. Well No. 3
<u>Location:</u>	4300 feet FSL & 1310 feet FWL
<u>Well Unit:</u>	Lot 12 of (Irregular) Section 1, Township 21 South, Range 32 East, N.M.P.M., Lea County, New Mexico

The well will was originally drilled to and completed in the Morrow formation (Hat Mesa-Morrow Gas Pool). See Exhibits A and B. The Form C-102 for the well is attached as Exhibit C. Applicant proposes to re-complete the well uphole in the Delaware formation (Undesignated Southeast Hat Mesa-Delaware Pool).

Attached as Exhibit D is a land plat of the area, highlighting the well's location. The affected acreage is Lot 11 of Section 1, which is covered by U.S. Lease NM 96236. The working interests in Lots 3-6 and 11-14 of Section 1 are subject to an operating agreement, a part of which is attached as Exhibit E. As a result, working interest ownership is common in the well regardless of depth. In addition, royalty ownership in Lot 12 and in offsetting Lot 11 is all federal, and thus the royalty owner is not affected by this application. The only affected parties are the overriding royalty owners in Lot 11. These owners are C. Mark Wheeler, John Thoma, Paul R. Barwis, Jared Partners, Ltd., and Penwell Employees Royalty Pool. All of these interest owners have waived objection, as shown in Exhibit F. Therefore, there are no offset interest owners to notify of this application. As a result, applicant requests that the 20 day notice period be waived.

Please call me if you need any further information on this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "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.

RECEIVED MAY 1 1997
OPERATOR'S COPY
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT IN TRIPLICATE
(Other instructions
reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO.

P.O. Box 823085, Dallas, TX 75382-3085 214/739-1778

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1,310' FWL and 4,300' FSL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

26 miles Northwest of Eunice, New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drig. unit line, if any)

1,310'

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,

OR APPLIED FOR, ON THIS LEASE, FT.

3,800'

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3,734' GR

16. NO. OF ACRES IN LEASE

440

17. NO. OF ACRES ASSIGNED

TO THIS WELL

317.66

19. PROPOSED DEPTH

14,600'

20. ROTARY OR CABLE TOOLS

Rotary

22. APPROX. DATE WORK WILL START*

May 5, 1997

5. LEASE DESIGNATION AND SERIAL NO.

NMNM - 92187

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Minis 1 Federal Com #3

9. AM WELL NO.

10. FIELD AND POOL, OR WILDCAT

Hat Mesa Morrow

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA

Section 1, T21S, R32E

12. COUNTY OR PARISH

Lea

13. STATE

New Mexico

23. SECRETARY'S POTASH

5.117-P POTASH

CAPTAIN CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8" J-55	48#	500' 900	500 SX
12-1/4"	9-5/8" J-55	36#	4,500'	500 SX
7-7/8"	5-1/2" N, K & S	17#, 20# & 23#	14,600'	500 SX

Propose to drill the well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary to establish production.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

TITLE Senior Engineer

DATE 4/09/97

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to these rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

State Director

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Blumberg No. 5119

EXHIBIT

A

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

FORM APPROVED
OMB NO. 1004-0137
Expires: February 28, 1995CONFIDENTIAL
(See instructions on reverse side)

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

1a. TYPE OF WELL:		OIL WELL <input type="checkbox"/>	GAS WELL <input checked="" type="checkbox"/>	DRY <input type="checkbox"/>	Other _____		
b. TYPE OF COMPLETION:		NEW WELL <input checked="" type="checkbox"/>	WORK OVER <input type="checkbox"/>	DEEP-EN <input type="checkbox"/>	PLUG BACK <input type="checkbox"/>	DIFF. RESVR. <input type="checkbox"/>	Other _____
2. NAME OF OPERATOR Nearburg Producing Company							
3. ADDRESS AND TELEPHONE NO. 3300 North A Street, Building 2, Suite 120, Midland, Texas 79705 (915) 686-8235							
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)* At surface 4,300' FSL and 1,310' FWL At top prod. interval reported below At total depth							
14. PERMIT NO.				DATE ISSUED		12. COUNTY OR PARISH Lea	
						13. STATE New Mexico	
15. DATE SPUDDED 08/19/97		16. DATE T.D. REACHED 10/11/97		17. DATE COMPL. (Ready to prod.) 02/05/98		18. ELEVATIONS (DF, RKB, RT, GE, ETC.)* 3,734' GR	
19. ELEV. CASINGHEAD		20. TOTAL DEPTH, MD & TVD 14,550'		21. PLUG, BACK T.D., MD & TVD 14,449'		22. IF MULTIPLE COMPL., HOW MANY*	
23. INTERVALS DRILLED BY		ROTARY TOOLS X		CABLE TOOLS		24. PRODUCING INTERVAL(S), OF THIS COMPLETION-TOP, BOTTOM, NAME (MD AND TVD)* 13,936' - 13,992' Morrow	
25. WAS DIRECTIONAL SURVEY MADE No		26. TYPE ELECTRIC AND OTHER LOGS RUN DLL/LDT/CNL/GR/CAL		27. WAS WELL CORED No			
28. CASING RECORD (Report all strings set in well)							
CASING SIZE/GRADE		WEIGHT, LB./FT.		DEPTH SET (MD)		HOLE SIZE	
13-3/8"		48#		570'		17-1/2"	
8-5/8"		24 & 32#		5,300'		11"	
5-1/2"		17 & 20#		14,550'		7-7/8"	
TOP OF CEMENT, CEMENTING RECORD		AMOUNT PULLED					
Circ. to surface; 450 sx							
Circ. to surface; 2,200 sx							
4,824' by calc; 2,765 sx							
29. LINER RECORD							
SIZE		TOP (MD)		BOTTOM (MD)		SACKS CEMENT*	
30. TUBING RECORD		SIZE		DEPTH SET (MD)		PACKER SET (MD)	
2-3/8"		13,717'		13,831'			
31. PERFORATION RECORD (Interval, size and number of shots) 13,936' - 13,958' - .4" - 88 shots 13,984' - 13,992' - .4" - 64 shots (ORIG. SGD.) GARY GOURLEY BLM							
32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.							
DEPTH INTERVAL (MD)		AMOUNT AND KIND OF MATERIAL USED					
13,936' - 13,958'		3,000 gals 7-1/2% acid + additives w/1,000					
13,984' - 13,992'		SCFPB N2					
		Frac w/35,000# 20/40 ISP					
33. * PRODUCTION							
DATE FIRST PRODUCTION 02/05/98		PRODUCTION METHOD (Flowing, gas lift, pumping--size and type of pump) Flowing				WELL STATUS (Producing or shut-in) P	
DATE OF TEST 02/17/98		HOURS TESTED 24		CHOKE SIZE 16/64		PROD'N FOR TEST PERIOD OIL--BBL. 7 GAS--MCF. 513 WATER--BBL. 3 GAS-OIL RATIO 73286:1	
FLOW. TUBING PRESS. 650		CASING PRESSURE		CALCULATED 24-HOUR RATE OIL--BBL. 7 GAS--MCF. 513 WATER--BBL. 3 OIL GRAVITY-API (CORR.) 47.4			
34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Sold						TEST WITNESSED BY Matt Lee	
35. LIST OF ATTACHMENTS C-104, Deviation Report, Logs							
36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records							

SIGNED [Signature] TITLE Manager of Drilling and ProductionDATE 3/2/98

*(See Instructions and Spaces for Additional)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and w
United States any false, fictitious or fraudulent statements or representations a

EXHIBIT

B

Department or agency of the
jurisdiction.

District I
PO Box 1960, Hobbs, NM 88240-1960
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brango Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 AFI Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name			6 Well Number
		MINIS "I" FEDERAL COM			3
7 OGRID No.		8 Operator Name			9 Elevation
		NEARBURG PRODUCING COMPANY			3734.

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 12	1	21-S	32-E		4300	SOUTH	1310	WEST	LEA

11 Bottom Hole Location If Different From Surface

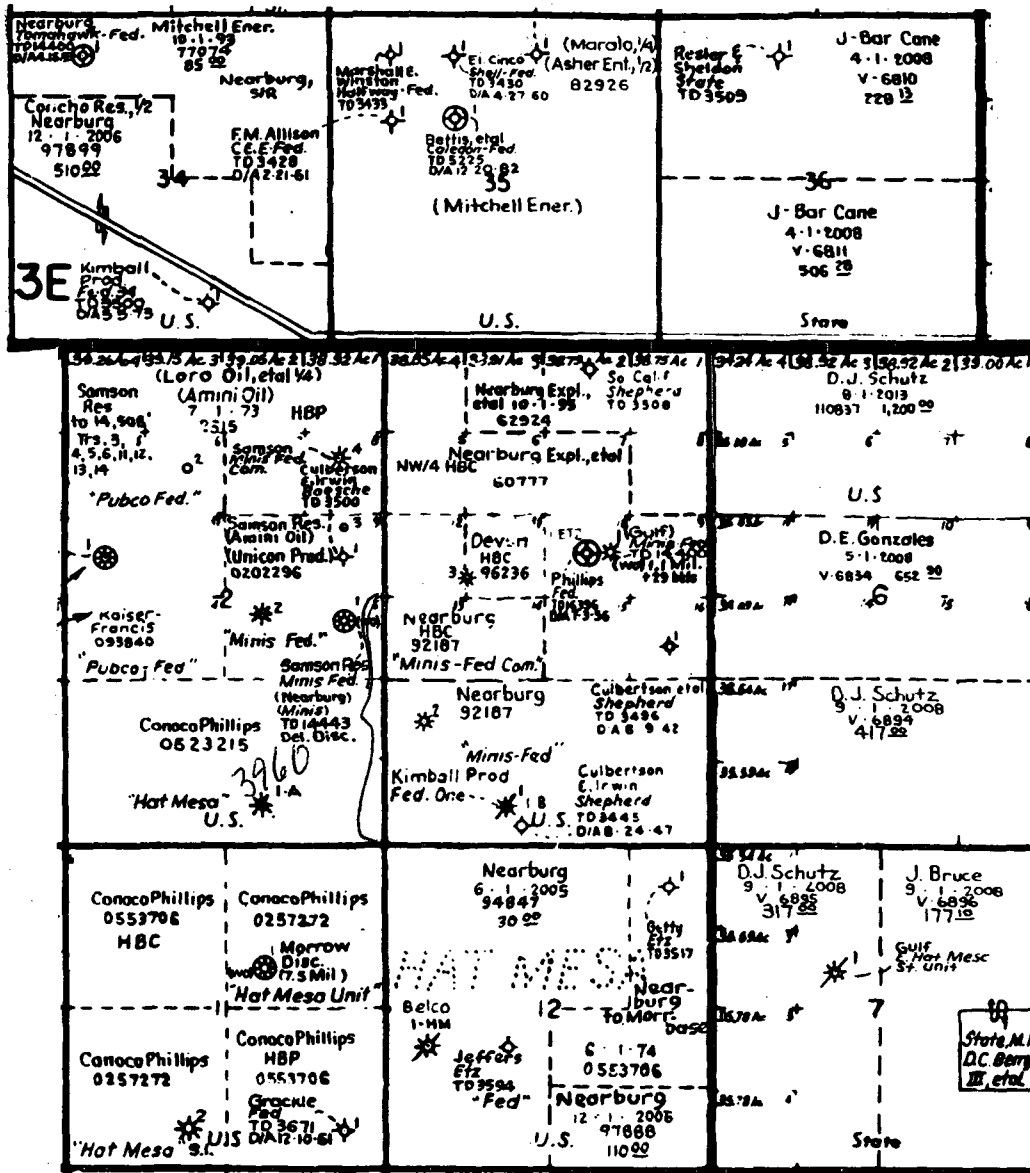
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres		13 Joint or Infill		14 Consolidation Code		15 Owner No.			
317.66		N		C					

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

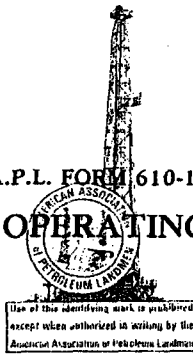
16		17 OPERATOR CERTIFICATION	
<p>4 NM-60777</p> <p>3 NM-62924</p> <p>2</p> <p>1</p>		<p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Clyde P. Findlay II</i></p> <p>Signature</p> <p>Clyde P. Findlay II</p> <p>Printed Name</p> <p>Senior Engineer</p> <p>Title</p> <p>04/09/97</p> <p>Date</p>	
<p>5 NM-60777</p> <p>6 NM-60777</p> <p>7</p> <p>8</p>			
<p>12 NMNM-92187</p> <p>11</p> <p>10</p> <p>9</p>			
<p>13 NMNM-92187</p> <p>14 NMNM-92187</p> <p>15</p> <p>16</p>			
<p>17</p> <p>18</p>			
		<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was placed 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.</p> <p>APRIL 8, 1997</p> <p>Date of Survey</p> <p>Signature of Registered Professional Surveyor</p> <p>NEW MEXICO</p> <p>5412</p> <p>REGISTERED PROFESSIONAL ENGINEER</p> <p>Certificate Number</p> <p>NM 5412</p>	



3960'



A.A.P.L. FORM 610-1982
MODEL FORM OPERATING AGREEMENT



MINIS PROSPECT

OPERATING AGREEMENT

DATED

APRIL 12 , 1996 ,

OPERATOR NEARBURG PRODUCING COMPANY

CONTRACT AREA LOTS 3, 4, 5, 6, 11, 12, 13 AND 14 OF SECTION 1,

TOWNSHIP 21 SOUTH, RANGE 32 EAST

COUNTY ~~OR-PARISH~~ OF LEA STATE OF NEW MEXICO

COPYRIGHT 1982 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS 76137, APPROVED FORM.
A.A.P.L. NO. 610 - 1982 REVISED



A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of the 12th day of April, 1996.

OPERATOR

ATTEST OR WITNESS

NEARBURG PRODUCING COMPANY

By: Bob Shelton

Bob Shelton
Type or Print Name

Title Land Manager

Date April 12, 1996

Tax ID or SS No. 74-1666262

NON-OPERATORS

ATTEST OR WITNESS

NEARBURG EXPLORATION COMPANY, L.L.C.

By: Robert G. Shelton

Robert G. Shelton
Type or Print Name

Title Attorney-in-Fact

Date April 12, 1996

Tax ID or SS No. 462-80-5563

ATTEST OR WITNESS

PENWELL ENERGY, INC.

By: Steven R. Foy

Steven R. Foy
Type or Print Name

Title Vice President

Date April 23, 1996

Tax ID or SS No. 75-2223190

ATTEST OR WITNESS

COENERGY CENTRAL EXPLORATION, INC.

By: M. Jay Diedzic

M. Jay Diedzic
Type or Print Name

Title Vice President

Date April 29, 1996

Tax ID# 38-3220803

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 12TH DAY OF APRIL, 1996, BY AND BETWEEN NEARBURG PRODUCING COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C. ET AL, AS NON-OPERATORS

I. Identification of Lands Subject to this Agreement:

Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Section 1, Township-21-South, Range-32-East, Lea County, New Mexico

II. Restrictions as to Depths or Formations:

This agreement is limited from the surface to the base of the Morrow formation.

III. Percentages of Parties to this Agreement:

Nearburg Exploration Company, L.L.C.	87.4079%
Penwell Energy, Inc.	1.8890%
CoEnergy Central Exploration, Inc.	10.7031%
	<u>100.0000%</u>

IV. Oil and Gas Leases Subject to this Agreement:

- 1) Lease Name: USA NM NM 92187
Lessor: United States of America
Original Lessee: Doug J. Schutz
Lease Date: 12/01/93
Description: Insofar as said lease covers Lots 12, 13, and 14 of Section 1, T-21-S, R-32-E, Lea County, New Mexico
- 2) Lease Name: USA NM 60777
Lessor: United States of America
Original Lessee: Charles E. Nearburg
Lease Date: 04/01/85
Description: Insofar as said lease covers Lots 4, 5, and 6 of Section 1, T-21-S, R-32-E, Lea County, New Mexico
- 3) Lease Name: USA NM 62924
Lessor: United States of America
Original Lessee: Victor Salazar
Lease Date: 10/01/85
Description: Insofar as said lease covers Lot 3 of Section 1, T-21-S, R-32-E, Lea County, New Mexico
- 4) Lease Name: USA NM 96236
Lessor: United States of America
Original Lessee:
Lease Date:
Description: Lot 11 of Section 1, T-21-S, R-32-E, Lea County, New Mexico

V. Addresses of Parties to this Agreement:

Nearburg Producing Company
5447 Glen Lakes Drive
Dallas, Texas 75382-3085

Nearburg Exploration Company, L.L.C.
5447 Glen Lakes Drive
Dallas, Texas 75382-3085

Penwell Energy, Inc.
600 North Marienfeld, Suite 1100
Midland, Texas 79701

CoEnergy Central Exploration, Inc.
600 North Marienfeld, Suite 1100
Midland, Texas 79701

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

December 2, 2003

Mr. C. Mark Wheeler
Mr. John Thoma
Mr. Paul R. Barwis
Jareed Partners, Ltd.
Capstone Oil & Gas Company, L.P.
P.O. Box 10187
Midland, Texas 79702

RE: Minis 1 Fed. Com. #3
Section 1 T-21-S R-32-E
Lea County, New Mexico
Minis Prospect

Dear Mr. Wheeler,

Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.


Should you have any questions please call me at 432.682.0505 ext. 219.

Yours truly,

Nearburg Exploration Company, L.L.C.


Brendan J. Fikes
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on
December 31, 2003.

By: 
Its: _____



Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

JAN 6 2004

December 2, 2003

Mr. C. Mark Wheeler
Mr. John Thoma
Mr. Paul R. Barwis
Jareed Partners, Ltd.
Capstone Oil & Gas Company, L.P.
P.O. Box 10187
Midland, Texas 79702

RE: Minis 1 Fed. Com. #3
Section 1 T-21-S R-32-E
Lea County, New Mexico
Minis Prospect

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Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.

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Yours truly,

Nearburg Exploration Company, L.L.C.


Brendan J. Fikes
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on
December 31, 2003.

By: JOHN THOMA by C. Yarbrough

Its: _____

I polled Mr. Thoma and
got his approval on this.
C. Yarbrough

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

JAN 3 2004

December 2, 2003

Mr. C. Mark Wheeler
Mr. John Thoma
Mr. Paul R. Barwis
Jareed Partners, Ltd.
Capstone Oil & Gas Company, L.P.
P.O. Box 10187
Midland, Texas 79702

RE: Minis 1 Fed. Com. #3
Section 1 T-21-S R-32-E
Lea County, New Mexico
Minis Prospect


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Yours truly,

Nearburg Exploration Company, L.L.C.


Brendan J. Fikes
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on
December 31, 2003.

By: PAUL R. BARWIS

Its: _____

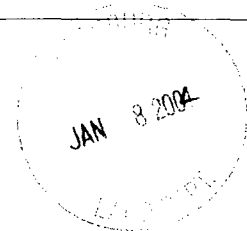
by: C. Mark Wheeler

I polled Mr. Barwis and
got his approval on this



Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806



December 2, 2003

Mr. C. Mark Wheeler
Mr. John Thoma
Mr. Paul R. Barwis
Jareed Partners, Ltd.
Capstone Oil & Gas Company, L.P.
P.O. Box 10187
Midland, Texas 79702

RE: Minis 1 Fed. Com. #3
Section 1 T-21-S R-32-E
Lea County, New Mexico
Minis Prospect


Dear Mr. Wheeler,

Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.

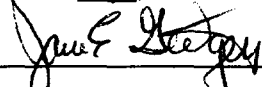
Should you have any questions please call me at 432.682.0505 ext. 219.

Yours truly,

Nearburg Exploration Company, L.L.C.


Brendan J. Fikes
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on
December 31, 2003.

By: 

Its: Officer, Jareed Enterprises Inc. GP
for the benefit of Jareed Partners, Ltd.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

January 9, 2004
Penwell Employee Royalty Pool
303 West Wall
Suite 1501
Midland, Texas 79701
Attention: John Bergman

RE: Minis 1 Fed. Com. #3
Section 1 T-21-S R-32-E
Lea County, New Mexico
Minis Prospect

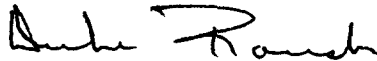
Dear Mr. Bergman,

Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.

Should you have any questions please call me at 432.682.0505 ext. 219.


Yours truly,

Nearburg Exploration Company



Duke Roush
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on
January 9, 2004.

By: 
Its: Trustee