

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 19, 1998

HAND DELIVERED

119.50

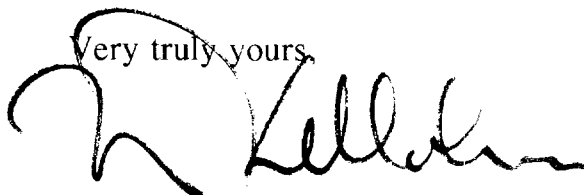
Mr. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Little Box Canyon "12" Federal Com Well No. 4
Surface location: 1650 feet FEL and 1980 feet FNL
Bottom Hole location: 660 feet FEL and 990 feet FNL
N/2 Section 12, T21S, R21E, NMPM
Application of Nearburg Producing Company
for an Unorthodox Bottom Hole Gas Well Location.
Eddy County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Nearburg Producing Company, please find enclosed our application for an unorthodox bottom hole gas well location which we request be set for hearing on the next available Examiner's docket now scheduled for June 11, 1998. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Producing Company
Attn: Bob Shelton

Proposed notification/advertisement for OCD docket

Case 1180: Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks

an exception to Division Rule 104 to permit it to re-enter the Cities Service Little Box Canyon Well No. 4 which is located at a standard surface location 1650 feet from the East line and 1980 feet from the North line and to directionally drill it to an unorthodox bottom hole location to a point in the top of Morrow "C" formation of the Little Box Canyon-Morrow Gas Pool being a point not closer than 990 feet from the north line or 660 feet to the east line (Unit A) of Section 12, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 12, said location being unorthodox for any and all gas production from any and all formations/pools spaced on 320-acres including but not limited to the Little Box Canyon-Morrow Gas Pool

Said location is located approximately 30 miles west-northwest of Carlsbad, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION
OF NEARBURG PRODUCING COMPANY
FOR AN UNORTHODOX GAS WELL,
EDDY COUNTY, NEW MEXICO

CASE: 1980

APPLICATION

Comes now NEARBURG PRODUCING COMPANY ("Nearburg") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for an exception to Division Rule 104 to permit it to re-enter the Cities Service Little Box Canyon Well No. 4 which is located at a standard surface location 1650 feet from the East line and 1980 feet from the North line and to directionally drill it to an unorthodox bottom hole location to a point in the top of Morrow "C" formation of the Little Box Canyon-Morrow Gas Pool being a point not closer than 990 feet from the north line or 660 feet from the east line (Unit A) of Section 12, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 21, said location being unorthodox for any and all gas production from any and all formations/pools spaced on 320-acres including but not limited to the Little Box Canyon-Morrow Gas Pool

In support thereof, Applicant states:

1. Applicant, Nearburg, has the right to drill and develop hydrocarbons in the N/2 of Section 12, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico.

2. Nearburg proposes to re-enter the Cities Service Little Box Canyon Well No. 4 which is located at a standard surface location 1650 feet from the East line and 1980 feet from the North line and to directionally drill it to an unorthodox bottom hole location to a point in the top of Morrow "C" formation of the Little Box Canyon-Morrow Gas Pool being a point not closer than 990 feet from the north line or 660 feet from the east line (Unit A) of Section 12, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 12, said location being unorthodox for any and all gas production from any and all formations/pools spaced on 320-acres including but not limited to the Little Box Canyon-Morrow Gas Pool.

3. Said well will be drilled within the current boundaries of the Little Box Canyon-Morrow Gas Pool.

4. In accordance with NMSA 1977, Section 70-2-33(H) of the "New Mexico Oil and Gas Act", the subject location is necessary so that the applicant will be afforded the opportunity to produce its just and equitable share of the recoverable gas underlying its spacing unit before those reserves are drained by other wells, thereby protecting applicant's correlative rights.

5. In accordance with Division Rule 1207.A(5), notification of this application has been sent to all offsetting operators as set forth on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

NMOCD Application
Nearburg Producing Company
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EXHIBIT "A"

Yates Petroleum Corporation
110 South Fourth Street
Artesia, New Mexico 88210-1001

Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld, Suite 508
Midland, Texas 79701

Stevens & Tull, Inc.
Box 11005
Midland, Texas 79702
Attn: Jerry Weant