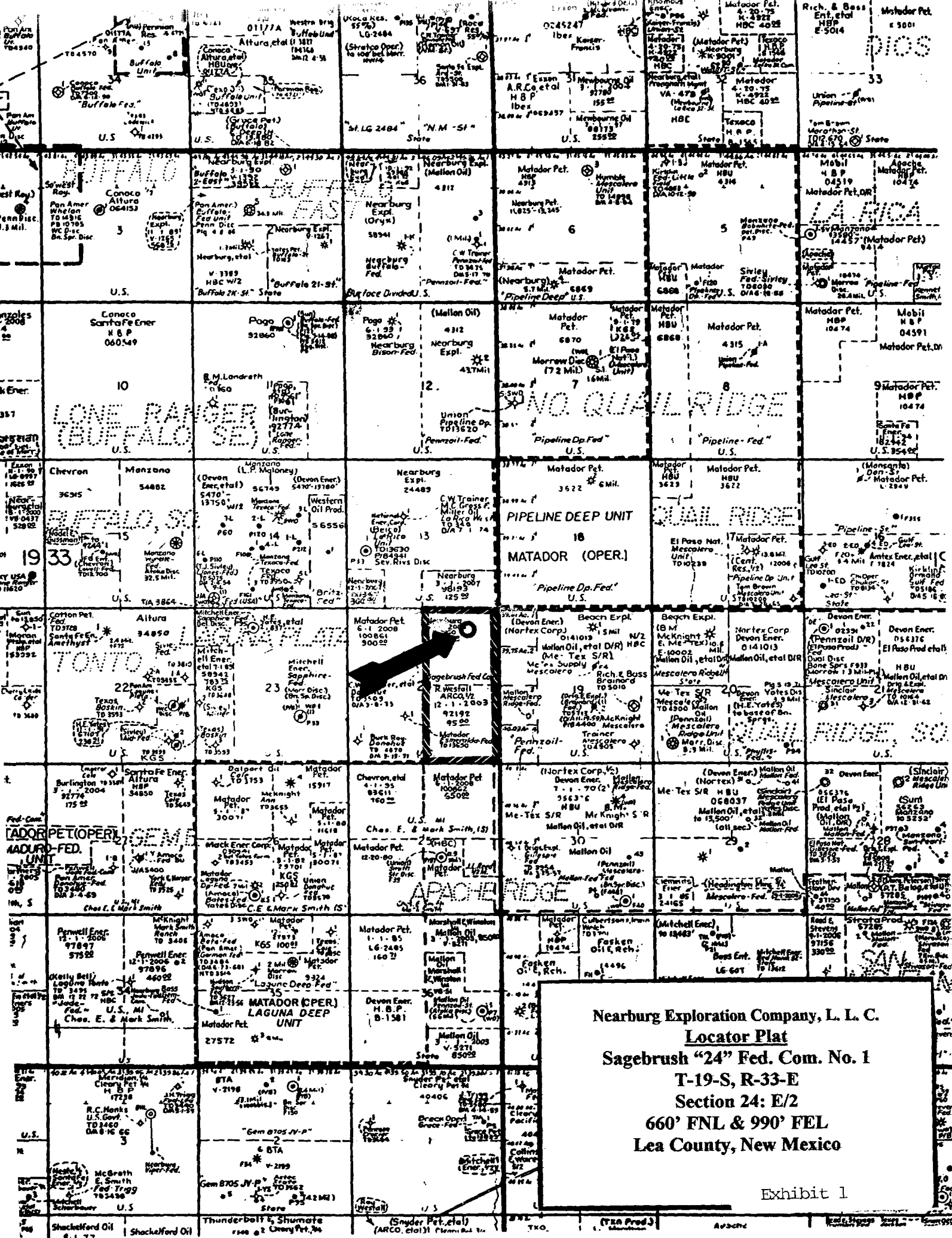




**UNORTHODOX LOCATION
NEARBURG PROD. CO. ,
SAGEBRUSH "24" FED. COM. #1
660' FNL & 990' FEL, SEC. 24-T19S-R33E
LEA COUNTY, NEW MEXICO**

GEOLOGICAL DISCUSSION

99 MAY 20 PM 2:44

OIL CONSERVATION DIV.

The Nearburg Producing Co., Sagebrush "24" Fed. Com. #1 well is located along the northern portion of the Delaware Basin in central Lea County, New Mexico. The proposed 13,600' test is projected to encounter the gas productive sands of the (Pennsylvanian) Morrow Formation. The Morrow, in this area of Lea County, produces from multiple sand lenses within the Morrow "B" and "C" sections from both structural and stratigraphic traps.

The Sagebrush "24" Fed. Com. #1 well has been placed at an unorthodox location of 660'FNL & 990' FEL principally to gain a strategic structural advantage. The structural position of the Morrow is important in this area as some wells off structure produce water. In fact, the Matador, Esmeralda Fed. "24" #1 well, located just $\frac{3}{4}$ mile southwest of the proposed location, recovered formation water on a drillstem test across the Morrow "C" sand interval. The enclosed structure map shows that the proposed location would be ~ 70ft. high to the Esmeralda "24" #1 well. The Morrow "C" isopach also shows that the proposed location to be within the main sand fairway. This sand thickness along with the favorable structural position should increase the chances of recovering gas from the Morrow formation.

OIL CONSERVATION DIV.

99 MAY 20 PM 2:44

OIL CONSERVATION DIV

59 MAY 20 PM 2:44

EXHIBIT "5"

AFFECTED PARTIES

Application of Nearburg Exploration Company, L.L.C. for
administrative approval of an unorthodox well location
Sagebrush "24" Federal Com. #1 Well
660 feet from the North line and 990 feet from the East line
Section 24, Township 19 South, Range 33 East, NMPM
Lea County, New Mexico

OIL CONSERVATION DIV.
99 MAY 20 PM 2:44

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