

Draft--October 26, 1999

(Date)

Nearburg Producing Company
c/o Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Re: Application of Nearburg Producing Company, L.L.C. for Administrative Approval of an Unorthodox Well Location for its South Boyd 27 #10 Well, 510 feet from the North line and 990 feet from the East line of Section 27, Township 19 South, Range 25 East, Eddy County, New Mexico

Dear Mr. Owen:

Reference is made to your application dated October 26, 1999 to drill Nearburg's proposed South Boyd 27 #10 Well at a non-standard location 510 feet from the North line and 990 feet from the East line of Section 27, Township 19 South, Range 25 East, Eddy County, New Mexico, to test the Morrow formation, Cemetery Morrow Pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

The topographic information submitted with this application indicates that the non-standard location is necessary to avoid placing the well pad in the Dagger Draw, a topographic watershed feature. The geologic information submitted with this application indicates that a well drilled at the non-standard location will not be in an inferior geologic position within the Morrow formation, compared with a well drilled at a location considered to be standard.

The N/2 of said Section 27 shall be dedicated to the well to form a standard 320-acre gas spacing and proration unit for the subject pool.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director