

NSL

4/27/00

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

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

April 7, 2000

Hand Delivered

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

Dear Mr. Stogner:

Pursuant to Division Rules 104.C and 104.F, Murchison Oil & Gas, Inc. ("Murchison") applies for administrative approval of an unorthodox infill gas well location and simultaneous dedication for the following well:

Black River Fed. Com. Well No. 1
1650 feet FSL & 660 feet FWL
Section 34, Township 24 South, Range 26 East, NMPM
Eddy County, New Mexico

The well will be drilled to a depth sufficient to test the Pennsylvanian System, at an approximate depth of 11,600 feet. An APD and Form C-102 for the well are attached as Exhibit A.

The well is in the White City-Pennsylvanian Gas Pool (the "Pool"). Special Rules and Regulations for the Pool, set forth in Order No. R-2429-A, as amended, require 640 acre units, with wells located no closer than 1650 feet to the outer boundary of a well unit nor closer than 330 feet to a quarter-quarter section line. Rule 2(B) allows no more than two producible wells on a proration unit, although that limitation may be waived by the Division Director for good cause shown.

The proposed location is based upon geologic and engineering reasons. Section 34 is currently dedicated to the following wells:

1. Strong Fed. Com. Well No. 1, located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$; and
2. Strong Fed. Com. Well No. 1E, located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$.

Attached as Exhibit B and C are structure maps of the Atoka Bank and Middle Morrow Clastics. Locating the well at the proposed location (a) moves the well away from the two existing wells, thus minimizing potential drainage or pressure depletion from those wells, and (b) places the well at a structural high in both the Atoka and Morrow. Thus, the location will increase the chance of encountering commercial quantities of hydrocarbons, and allow the operator to recover reserves which will not be produced by the existing wells.

Attached as Exhibit D is a land plat of the area, with the offset operators of Sections 27, 28, and 33 identified on the attached list. (The operator of §4-25S-26E is Murchison.) A copy of the notice letter mailed to the offsets is attached as Exhibit E.

Please call me if you need anything further on 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 Murchison
Oil & Gas, Inc.