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March 27, 2001

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Case 12661

CI MAR 27 PM 3:26

OIL CONSERVATION DIV

Re: *Application of Nearburg Exploration Company, L.L.C. for Administrative Approval of an Unorthodox Well Location for its Poco Mesa "26" State Com Well No. 1, located 1980 feet from the South line and 2400 feet from the West line of Section 26, Township 18 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.*

Dear Ms. Wrotenbery:

Nearburg Exploration Company, L.L.C. ("Nearburg") seeks administrative approval pursuant to the provisions of Division Rule 104.F for an unorthodox well location for its Poco Mesa "26" State Com Well No. 1 to be drilled and completed in the Undesignated Penasco Draw-Morrow Gas Pool and/or the Undesignated Penasco Draw-Permo Pennsylvanian Gas Pool at an unorthodox location 1980 feet from the South line and 2400 feet from the West line (Unit K) of Section 26, Township 18 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing unit comprised of the S/2 of Section 26 is to be dedicated to this well. The Undesignated Penasco Draw-Morrow Gas Pool and the Undesignated Penasco Draw-Permo Pennsylvanian Gas Pool are governed by the Division's statewide rules that provide for gas wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. See Division Rule 104.C(2). This unorthodox location is 240 feet off of the quarter section line and therefore encroaches on the SE/4 by 420 feet.

This unorthodox location is required by geologic conditions. The primary target for this well is the Morrow sands. Exhibit A is a Morrow Clastics Isochron Map and Exhibit B

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is Cisco 3D seismic anomaly map for this well.¹ These exhibits demonstrate that the proposed location is centered on a Morrow channel "thick" and within a .034 millisecond contour. In contrast, the Mesa Petroleum Fourmile State Morrow dry hole 1600 feet southeast of the proposed location is outside the .028 millisecond contour and in a Morrow "thin" area lacking pay sands. Nearburg's proposed location is centered on the Morrow isochron "thick" where there is the greatest possibility of a productive well.

Exhibit C is a plat showing the S/2 320-acre spacing unit, the unorthodox well location, and the ownership of the 320-acre spacing unit. The ownership in the SW/4 and the W/2 SE/4 is common. A copy of this application has been sent to the New Mexico State Land Office and the affected parties in the E/2 SE/4 by certified mail, return receipt requested, advising them that if they have an objection to this application it must be filed in writing within twenty days from the date the Division receives this application.

Exhibit D is a land locator map showing the 320- acre spacing unit and adjoining spacing units and wells.

Your attention to this application is appreciated.

Very truly yours,



Michael H. Feldewert

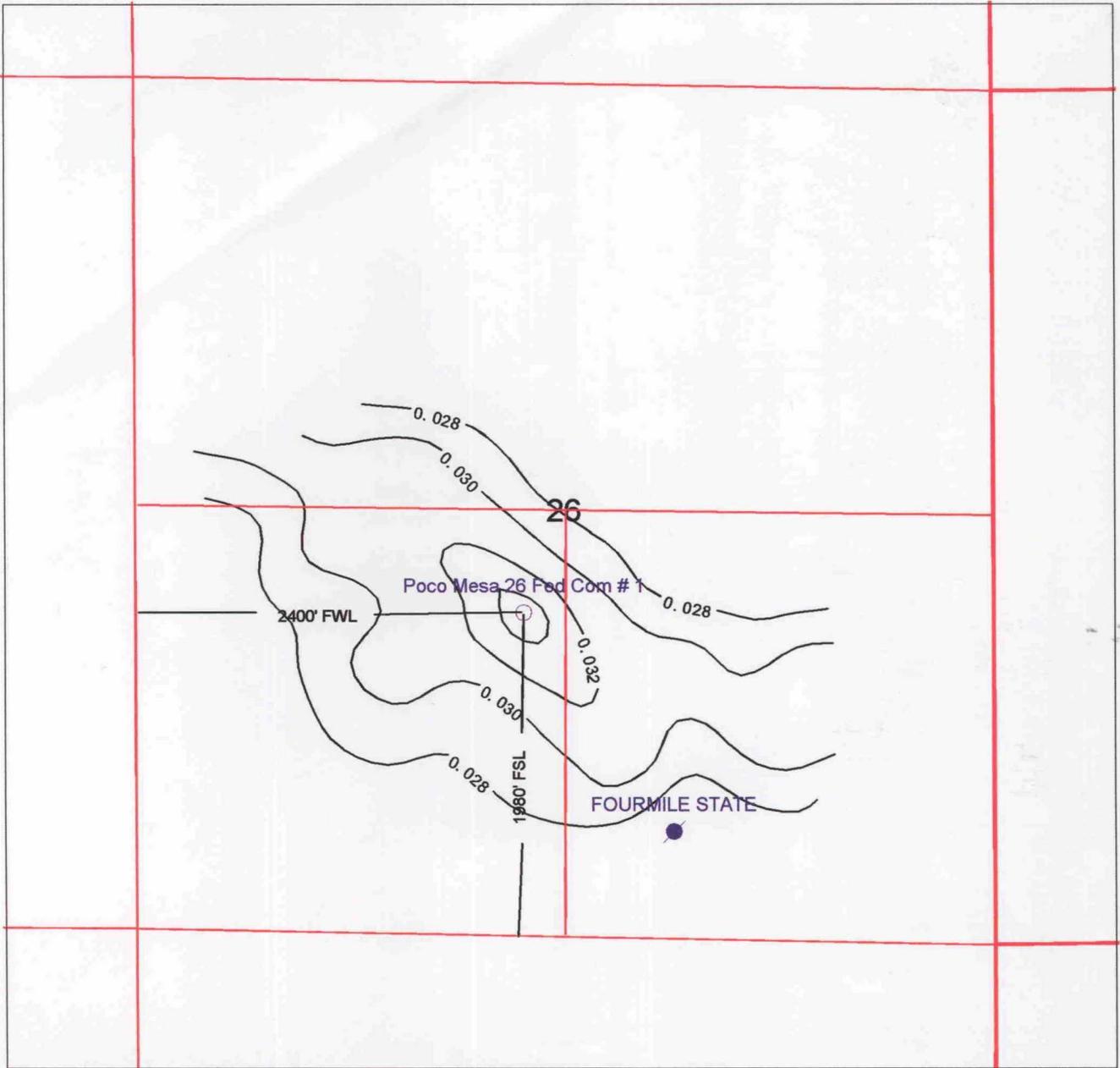
Enclosures

Cc: Mr. Robert Shelton, Nearburg Exploration Company, L.L.C.

¹ These two exhibits mistakenly refer to the proposed well as the Poco Mesa Federal Com #1.

EXHIBIT "A"

XY:



Poco Mesa 26 Federal Com # 1

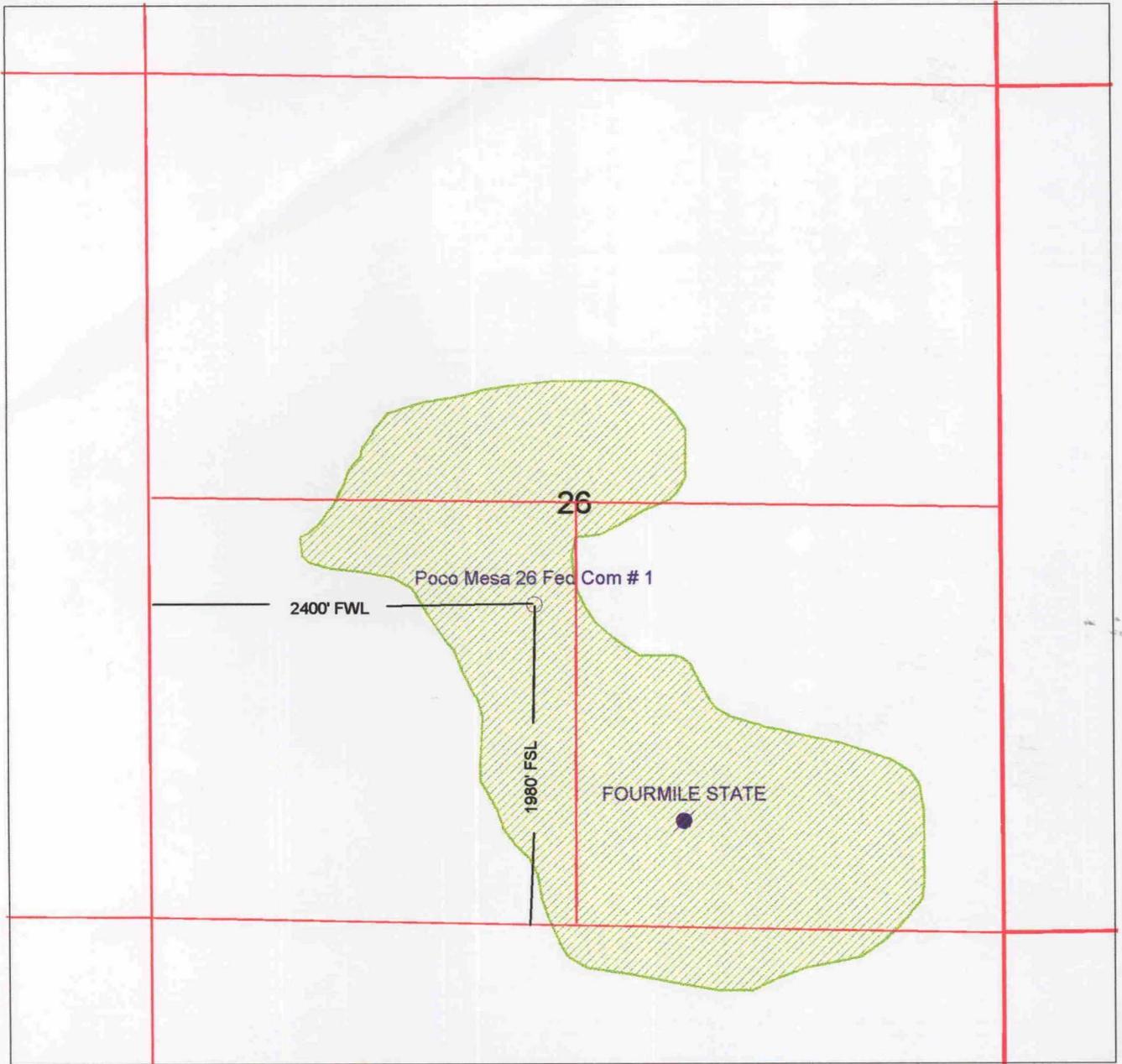
Nearburg Producing Company

Morrow Clastics Isochron Map
scale 1:1000'

03/26/01 14:09:06

EXHIBIT "B"

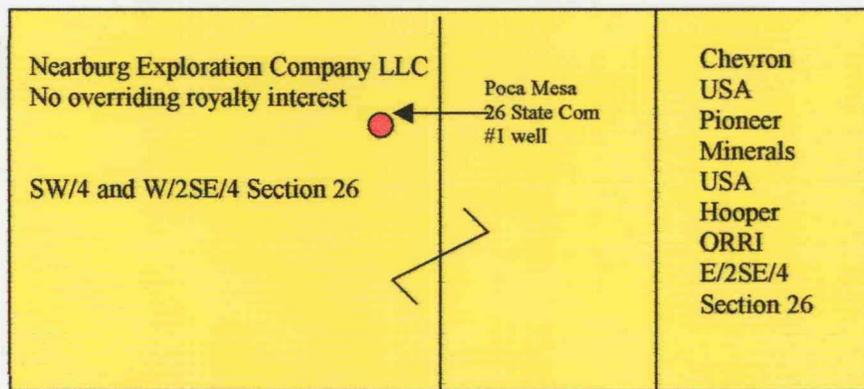
XY:



Poco Mesa 26 Federal Com # 1
Nearburg Producing Company
Cisco 3D seismic anomaly map scale 1:1000'

Exhibit "C"

**Poca Mesa 26 State Com #1 well
2,400' FWL and 1,980' FSL of Section 26
T-18-S, R-24-E, Eddy County, New Mexico**



E/2SE/4 Surface to 5,000' and below 6,673' to all depths

Chevron USA, Inc. - 100%

No Override

E/2SE/4 From 5,000' to 6,673'

Chevron USA, Inc. - 50%

Pioneer Natural Resources, USA, Inc. - 50%

Edward and Darlene Hooper (ORRI) - 2.5%

Gailen and Shirley Hooper (ORRI) - 2.5%

Exhibit "D"
 Poco Mesa "26" State Com. #1
 1980' FSL, 2400' FWL
 S/2 section 26 T-18-S, R-24-S
 Eddy County, New Mexico

