



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 8, 1999

Nearburg Exploration Company, L.L.C.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-4363

Dear Mr. Bruce:

Reference is made to the following: (i) your application dated October 6, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the file on Case No. 12231: all concerning Nearburg Exploration Company, L.L.C.'s ("Nearburg") request for an exception to Rule 2(b) of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the Penasco Draw San Andres-Yates Associated Pool*," as promulgated by Division Order No. R-5353, as amended, for a non-standard San Andres/Yates gas well location within a standard 320-acre stand-up gas spacing and proration unit comprising the W/2 of Section 15, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

The subject application has been duly filed under the provisions of Division Rule 104.F and the applicable provisions of the rules governing the Penasco Draw San Andres-Yates Associated Pool.

It is our understanding that the subject well for this application was recently drilled to a depth of 8,150 feet to test the North Dagger Draw-Upper Pennsylvanian Pool; however, this deeper zone was not commercially oil productive and it is Nearburg's intention to test the shallower San Andres/Yates interval. Pursuant to Rule 2(b) of these special pool rules, this location, which is standard for an oil well is considered to be unorthodox for a gas well.

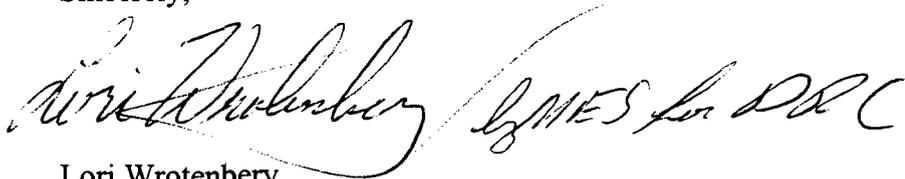
By authority granted me under the provisions of: (i) Rule 2(c) of these special pool rules; and (ii) Division Rule 104.F (2): the following described well located at an unorthodox gas well location within the Undesignated Penasco Draw San Andres-Yates Associated Pool in the W/2 of Section 15 is hereby approved:

Osage Boyd "15" Com. Well No. 2
1650' FSL & 1980' FWL (Unit K)
(API No. 30-015-28599)

Administrative Order NSL-4363
Nearburg Exploration Company, LLC
October 8, 1999
Page 2

Further, the aforementioned Osage Boyd "15" Com. Well No. 2 and proposed 320-acre gas spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Associated Oil and Gas Pools and to the Penasco Draw San Andres-Yates Associated Pool.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery" followed by "LW/MES for DRC".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: Case No. 12231