

JAMES BRUCE
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July 9, 1999

Hand Delivered

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

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Nearburg Exploration Company, L.L.C. ("Nearburg") applies for administrative approval of an unorthodox gas well location for the following well:

Dagger Draw "31" Fed. Well No. 6
660 feet FNL & FEL
N½ §31, Township 19 South, Range 25 East, NMPM
Eddy County, New Mexico

The well was originally drilled to and completed in the Cisco/Canyon formation (North Dagger-Draw Upper Pennsylvanian Pool), at 8062 feet subsurface. The well is now depleted in the Cisco/Canyon, and Nearburg desires to deepen the well to test the Morrow formation (Undesignated Dagger Draw-Morrow Gas Pool) at a depth of approximately 9500 feet subsurface. The pool is spaced on statewide rules, requiring that wells be no closer than 1650 feet to the end line of a well unit and 660 feet to the side line of a unit, and no closer than 330 feet to a quarter-quarter section line. A Form C-102 for the well is attached hereto as Exhibit A. The operator of the well will be Nearburg Producing Company.

Deepening the well is estimated to cost \$366,930, while drilling a new well will cost approximately \$866,870. Thus, deepening the well prevents economic waste. In addition, the location is favorable from a geologic standpoint. Enclosed as Exhibit B is an isopach of the Morrow Lower "B" sands, the primary zone of interest. It shows the proposed location to be within the main northeast-southwest trending sand fairway, with about 40 feet of potential pay, thereby minimizing the risk involved in deepening the well. While an orthodox location is also prospective in the

Morrow, deepening an existing well results in substantial cost savings.

Exhibit B also identifies the offset operator in Sections 29 and 32, which is Yates Petroleum Corporation ("Yates"). Notice of this application has been given to Yates, as evidenced by Exhibit C. (Yates owns a 25% working interest in the proposed well, and has been asked to participate with Nearburg in the deepening of the well.)

This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for Nearburg
Exploration Company, L.L.C.

cc: Robert G. Shelton

UNIFORM ORDER
Form L-200 - 4 copies
For L-200 - 3 copies

BY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Box 88, Artesia, NM 88210

DISTRICT III
1800 Rio Grande Rd., Alamogordo, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
All Distances must be from the outer boundaries of the section

Operator Nearburg Producing Company		Lease Dagger Draw 31 Federal	Well No. 6
Well Color A	Section 31	Township 19 - South	Range 25 - East
Actual Well Location of Well		County Eddy	
660' feet from the North line and	660' feet from the East line	Dedicated Acreage: 3.20 Acres	
Ground level Elev. 5529'	Morrow		Dagger Draw Morrow

1. Outline the acreage dedicated to the subject well by colored pencil or hectare marks on the plat below.

2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

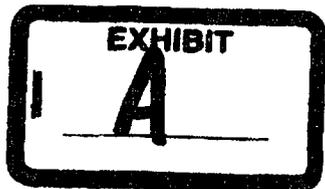
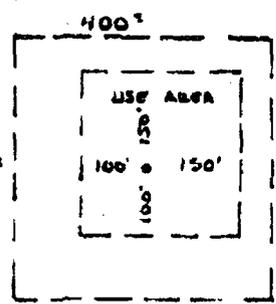
3. If more than one lease of different ownership is dedicated in the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 Yes No If answer is "yes" type of consolidation Communitization
 If answer is "yes" list the owners and exact descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
 No effort will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.

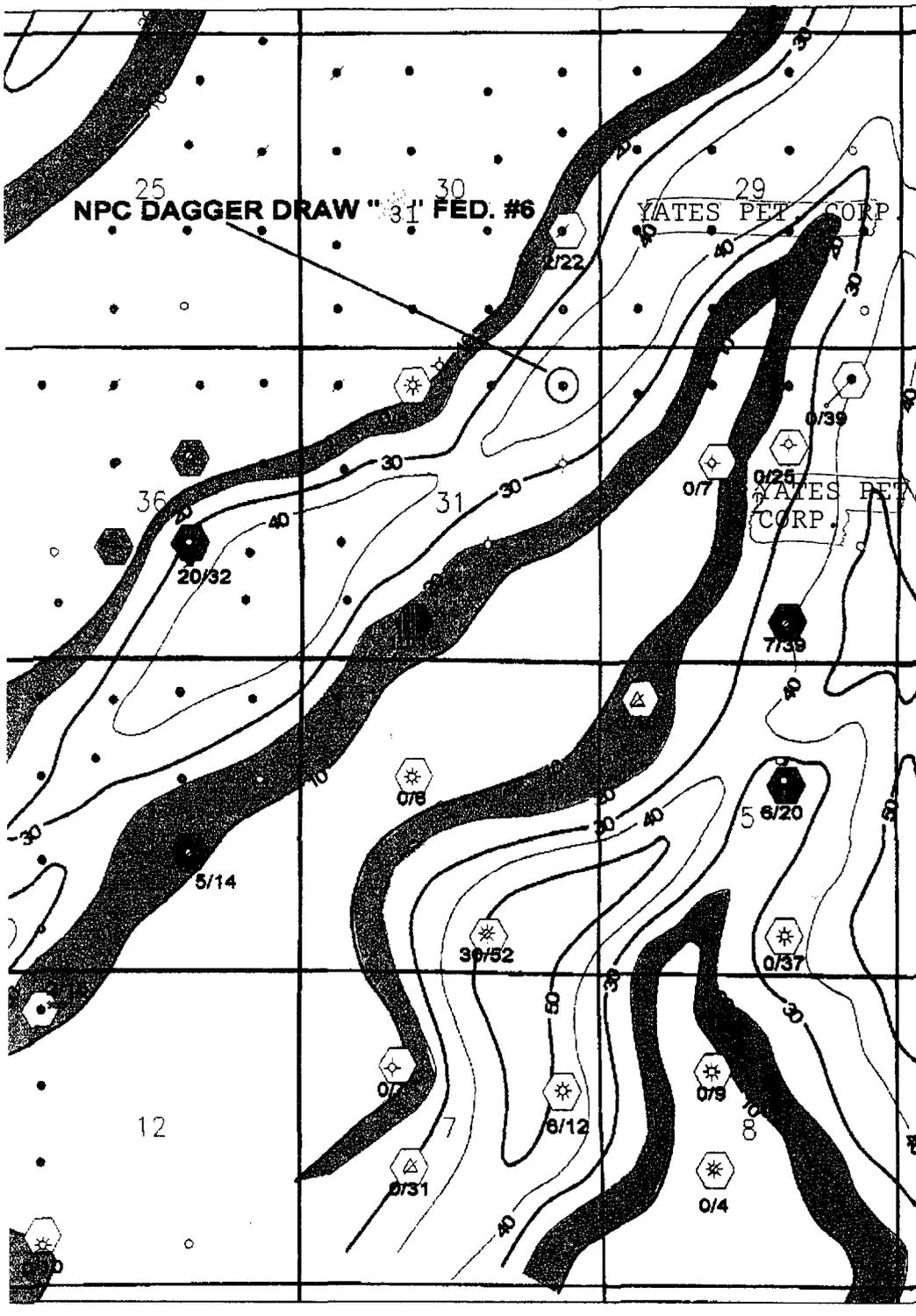
OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: H. R. Willis
 Name: H. R. Willis
 Position: Drilling Supt.
 Company: Nearburg Prod. Co.
 Date: May 24, 1993

SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

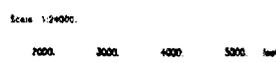
Date Surveyed: _____ 1993
 Signature: _____
 Professional No.: _____
 State of New Mexico
 2126





LEGEND

-  PRODUCTIVE FROM LOWER "B"
-  SAND PRESENT / TIGHT
-  SAND ABSENT



Nearburg Producing Company
 Exploration and Production
 Midland, Texas

DAGGER DRAW PROSPECT
 EDDY COUNTY, NEW MEXICO

MORROW LOWER "B"
 GROSS SAND ISOPACH MAP
 SPACING UNIT N/2 SECTION 31

C.L. = 10'

GEOLOGIST	DATE	DRAWN BY	FILE NO.
J.A. EIDER	7/99	PL/CCO	504597



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July 9, 1999

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Land Department

Ladies and Gentlemen:

Enclosed is a copy of an application for administrative approval of an unorthodox gas well location, filed with the New Mexico Oil Conservation Division by Nearburg Exploration Company, L.L.C., regarding the deepening of the Dagger Draw "31" Fed. Com. Well No. 6, located 660 feet from the North and East lines of Section 31, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. The well will be deepened to test the Morrow formation, and the N½ of Section 31 will be dedicated to the well. If you object to the well location, you must notify the Division in writing no later than Monday, July 29, 1999. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505. Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,


James Bruce

Attorney for Nearburg Exploration
Company, L.L.C.

