

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] ☒ Location - Spacing Unit - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] ☐ Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] ☐ Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

Print or Type Name

Signature

Title

Date

James Bruce *Attorney for Applicant* 7/9/99

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)

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 OIL CONSERVATION
Form 1000 - 4 copies
For Lease - 3 copies

BY, MINERAL 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

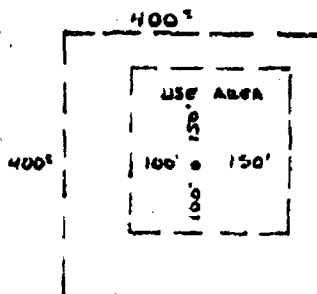
DISTRICT II
P.O. Box 2000, Artesia, NM 88210

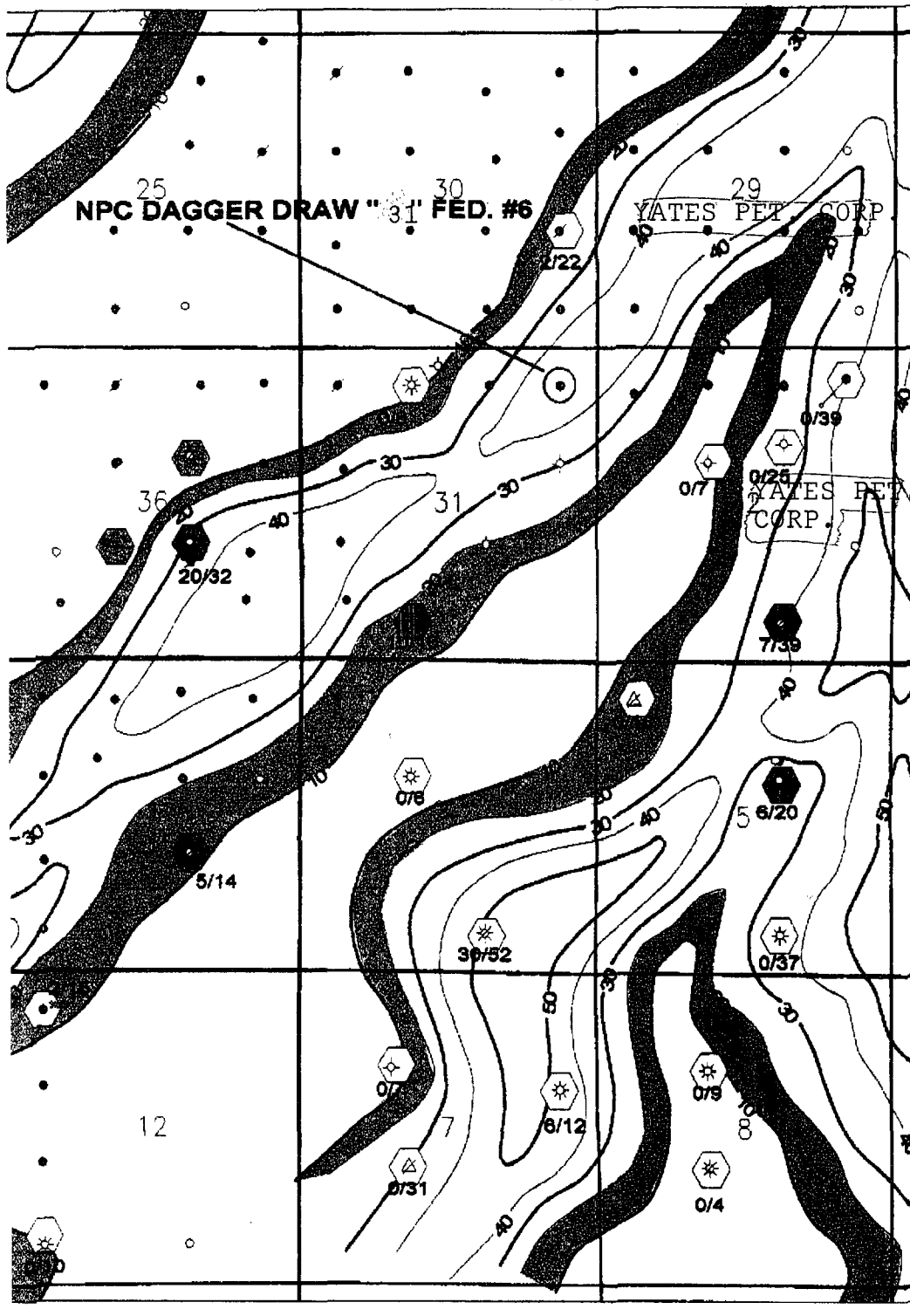
DISTRICT III
1000 Rio Grande Rd., Alamogordo, NM 87410

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	County Eddy
Actual Wellbore Location of Well				
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	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hectare marks on the plat below.</p> <p>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).</p> <p>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, forced-pooling, etc.?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation <u>Communitization</u></p> <p>If answer is "no" list the owners and acre descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>No acreage will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.</p>				
			<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <u>H. R. Willis</u></p> <p>Printed Name: <u>H. R. Willis</u></p> <p>Position: <u>Drilling Supt.</u></p> <p>Company: <u>Nearburg Prod. Co.</u></p> <p>Date: <u>May 24, 1994</u></p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed: <u>May 24, 1994</u></p> <p>Signature: <u>[Signature]</u></p> <p>Professional Seal: </p>	





LEGEND

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



Scale 1:24000

0 1000 2000 3000 4000 5000 feet

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.L. ELLER	7/9/99	PLS/COS	508.009

EXHIBIT

B

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)

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 NW¼ 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.

