

ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88202

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT

OIL CONSERVATION DIVISION
RECEIVED

'92 MAY 18 AM 8:57

May 15, 1992

New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Michael Stogner

Re: Unorthodox location for
Celtic State #1
1650' FNL, 990' FWL
Sec. 13, T-8S, R-27E
Chaves County, New Mexico

Gentlemen:

Elk Oil Company respectfully requests an administrative approval for a proposed unorthodox location as provided for under NMOCD Rule 104F.

Our preferred location for this well is 1650' FNL and 990' FWL. Our reason for requesting this nonstandard location is geological (please note attached Exhibits 1 and 2).

Enclosed please find a copy of the lease map showing offsetting lease operators. Offsetting lease operators have been notified of our intentions by certified mail, along with a waiver which has been signed by Yates Petroleum Corporation, Collins and Ware, Inc. and McClellan Oil Corporation, stating they have no objections to Elk's unorthodox location. Enclosed is a copy of those waivers.

If you should have any questions concerning this matter, please do not hesitate to call. Thank you.

Yours very truly,

ELK OIL COMPANY



Joseph J. Kelly
President

JJK/jgb
Enc.

May 15, 1992

Geologic Conditions
for
Unorthodox Location
of the
ELK OIL COMPANY
CELTIC STATE #1
1650' FNL, 990' FWL
Section 13, T-8S, R-27E
Chaves County, New Mexico

Elk Oil Company respectfully requests administrative approval for the unorthodox location of its proposed Celtic State #1 to be drilled 1650' FNL and 990' FWL of Section 13, Township 8 South, Range 27 East, Chaves County, New Mexico. The north half of section 13 would be dedicated to the Celtic State #1 for a Pre-Mississippian Dolomite test.

Exhibit #1 is a land plat showing the proposed location and its relationship to the surrounding acreage situation. The proration unit is outlined in red.

The necessity for this unorthodox location is based upon the following geologic conditions. Exhibit #2 is a structure map on top of the Pre-Mississippian Dolomite. The structure map is based on seismic data and subsea datums of wells to the north and south. A contour interval of 50' was used with datum points indicated by subsea numbers. Production in the mapped area is indicated by the colored circled well locations. Pre-Mississippian Dolomite production is colored green, and Penn. Clastic production is colored red. The proposed location is indicated so and colored in orange.

The structure map indicates a faulted structural anomaly in the NW¼ of Section 13 of Township 8 South, Range 27 East. This structure is similar to the structure to the south, in which BHP's Puffer State #1 is producing approximately 4 MMCFGPD, and has cummed approximately 1 BCF since August 1991. These faulted structures are very small in aerial extent allowing for the creation of one or possible two well fields.

In summary, Elk Oil Company believes according to the available data, the proposed unorthodox location is the best location in the NW¼ of Section 13 to test the Pre-Mississippian Dolomite. The Celtic State #1 will be drilled through the Pre-Mississippian Dolomite and into the Precambrian to insure that the complete section is tested.

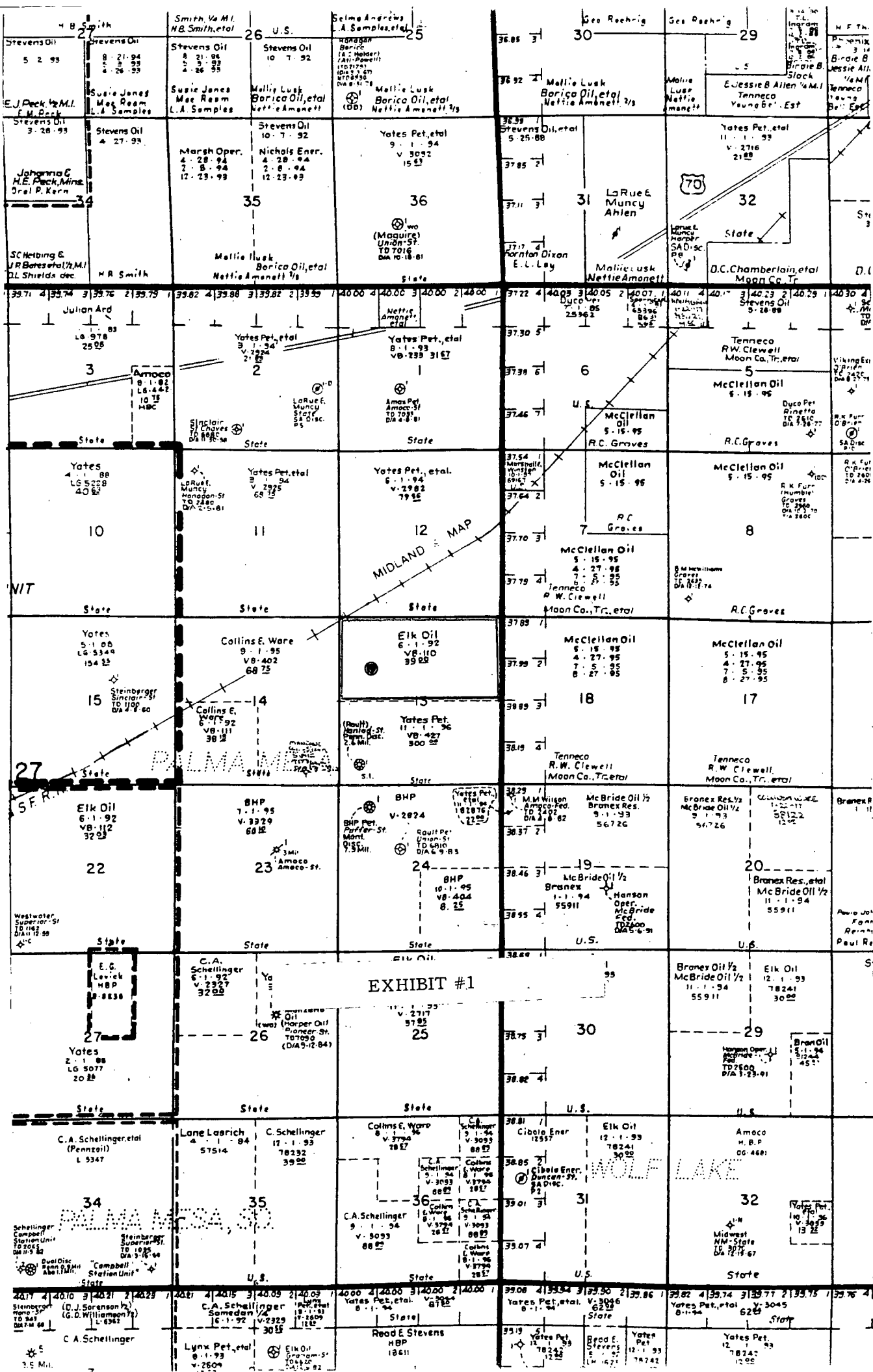


EXHIBIT #1

PALMAR MESA, CO.

WOLF LAKE

ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88202

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT

April 24, 1992

W A I V E R

As an offset operator, Yates Petroleum Corporation, has no objections to Elk Oil Company proposing an unorthodox location at 1650' FNL and 990' FWL of Section 13, Township 8 South, Range 27 East, Chaves County, New Mexico, provided the spacing unit is a lay down 320 being a N½ dedication.

Yates Petroleum Corporation

By:  RB

Signature

Attorney-in-Fact

Title

May 14, 1992

Date

ELK OIL COMPANY

BOX 310

ROSWELL, NEW MEXICO 88202

(505) 623-3190

JOSEPH J. KELLY
PRESIDENT

April 24, 1992

WAIVER

As an offset operator, Collins & Ware, Inc., has no objections to Elk Oil Company proposing an unorthodox location at 1650' FNL and 990' FWL of Section 13, Township 8 South, Range 27 East, Chaves County, New Mexico, provided the spacing unit is a lay down 320 being a N $\frac{1}{2}$ dedication.

Collins & Ware, Inc.

By: W. B. [Signature]

Signature

Vice-President
Title

5-8-92
Date

ELK OIL COMPANY

BOX 310

JOSEPH J. KELLY
PRESIDENT

ROSWELL, NEW MEXICO 88202
(505) 623-3190

May 14, 1992

WAIVER

As an offset operator, McClellan Oil Corporation has no objections to Elk Oil Company proposing an unorthodox location at 1650' FNL and 990' FWL of Section 13, Township 8 South, Range 27 East, Chaves County, New Mexico, provided the spacing unit is a lay down 320 being a N½ dedication.

McClellan Oil Corporation

By: Mark McClellan

Vice President
Title

5/14/92
Date